

Appendix B

Elements of the Canada-U.S. Free Trade Agreement — Synopsis

On October 4, 1987, Canada and the United States agreed in principle on the elements to be included in the Canada-U.S. Free Trade Agreement. The legal text of the Agreement was tabled in the House of Commons on December 11, 1987. The main elements of the Agreement are the following:

Tariffs and Rules of Origin

All bilateral tariffs will be removed, starting January 1, 1989, when the Agreement enters into force, on the basis of three formulas: a) some will be eliminated immediately; b) some will be eliminated in five equal annual steps; c) some will be eliminated in 10 equal annual steps.

Goods which originate entirely in Canada or the United States will qualify for the new tariff treatment. Goods incorporating offshore materials or components that have been sufficiently changed to warrant a change in tariff classification will also qualify. In certain cases, goods will need to incur 50 per cent of manufacturing cost in either country before they qualify.

Quantitative Restrictions

GATT provisions governing quantitative restrictions on imports or exports will continue to apply. Existing quantitative restrictions will be eliminated, either immediately or according to an agreed timetable, or will be grandfathered. With respect to export measures for short supply or conservation reasons, the Agreement goes beyond the GATT to allow for proportional access to supplies on an historical basis without any price discrimination being imposed by governments. The Agreement provides for co-operation on implementing any such export measures to prevent diversion to third parties.

Technical Standards

The two governments agree to build on the GATT Standards Code. They will endeavour to make federal standards more compatible in order to reduce technical barriers which interfere with trade, while still protecting health and safety, environmental, national security and consumer interests. Increased compatibility of standards at the state, provincial and private levels will be encouraged.