The Automotive Industry

The Agreement will govern trade in motor vehicles, original equipment parts, aftermarket (replacement) parts and tires. Tariffs on vehicles, original equipment parts and tires will be phased out over 10 years provided producers meet the new automotive rules of origin. The tariffs on aftermarket parts will be eliminated by 1993.

The Auto Pact will remain in effect for existing Canadian participants as listed in the Agreement. The Agreement limits the benefits of duty-free entry from third countries to companies which currently qualify or will qualify for Auto Pact status during the 1989 model year.

Stricter new rules of origin for duty-free trade in vehicles under the Agreement (50 per cent Canadian or U.S. content in terms of direct production costs) will create a significant incentive for increased sourcing of North American parts.

Canadian safeguards have been maintained under the Agreement. Canadian Auto Pact companies may continue to import vehicles and parts duty-free from the United States and offshore in return for meeting Auto Pact production safeguards. Canadian parts producers will enjoy duty-free access to the U.S. market. Provisions within the Agreement permit Canada to continue, until 1996, those duty remission arrangements negotiated with certain manufacturers related to production value-added commitments. Exports to the United States will no longer be eligible under the export-based duty remission programs as of January 1, 1989, and to third countries as of January 1, 1998. Under the Agreement, Canada has also agreed to terminate the prohibition on the entry of used and second-hand vehicles within five years.

A select panel of informed persons from both countries will be established to assess the state of the North American industry and to propose public policy measures and private initiatives to improve its competitiveness in domestic and foreign markets.

Textile and Apparel Industries

Tariff elimination under the Agreement is scheduled to be phased in over a 10 year period for both the Canadian and U.S. apparel and textile industries.

As a general rule, apparel made from third-country fabrics is not eligible for duty-free treatment under the Agreement. However, the Agreement does contain a provision whereby, in any calendar year, Canadian apparel exports to the United States made from third-country non-woollen fabric up to 50 million square-yard-equivalents plus up to 6 million square-year-equivalents of garments made of woollen fabrics will qualify for the Agreement's preferential tariff treatment. These levels are substantially higher than current exports. The Canadian duty-free limits (or tariff rate quotas) on similar apparel imported from the United States are 10.5 million and 1.1 million square-yard-equivalents, respectively.