

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

The Agreement does not contain provisions specifically related to women. Nevertheless, the Agreement has significant implications for Canadian women as workers, entrepreneurs and consumers. Appendix B provides a general synopsis of all the elements of the Agreement for further reference. This chapter highlights those elements of particular interest to women.

Tariffs

All tariffs between Canada and the United States will be removed over a period of 10 years, starting on January 1, 1989. Some tariffs will be eliminated immediately, for example, on electronic calculators, telephone sets, ice skates and skis. Other tariffs will be phased out over five years on products such as furniture, paints, paper and paper products, and some appliances such as sewing machines, coffee makers and electric irons. A third category of tariffs will be phased out over 10 years. Examples of this category of products are women's, men's and children's clothing, footwear, textile articles such as blankets and curtains, refrigerators, microwave ovens and most food products. Many of these products have tariffs that are over eight per cent, with some as high as 20 to 25 per cent.

Rules of Origin For Goods

Origin rules establish the general principle that goods that are wholly produced or obtained in either Canada or the United States or both will qualify for duty-free treatment under the Agreement. Goods incorporating offshore raw materials or components will also qualify if they have

been sufficiently changed in either Canada or the United States or both, as measured by a change in tariff classification. Moreover, in some cases, a percentage of manufacturing cost, most often 50 per cent, must be added in either or both countries.

Clothing made from fabrics woven or knitted in Canada or the United States will qualify for duty-free treatment, whereas clothing made from third-country fabrics will qualify for duty-free treatment only up to certain levels, above which it will face the normal tariff. For Canadian exports to the United States of clothing made from third-country fabrics, the duty-free levels total 56 million square yards equivalent per year. As the levels established for such exports are about six times above current Canadian exports of clothing containing third-country fabric, Canadian clothing manufacturers can continue to buy their fabric from the most competitive suppliers around the world and still benefit from duty-free access to the United States. There is also a quantitative limit governing duty-free exports to the United States of non-wool fabrics or textile articles woven or knitted in Canada from yarn imported from a third country. Such exports will benefit from duty-free treatment up to a maximum annual quantity of 30 million square yards for the first four years of the Agreement. In 1990-1991, Canada and the United States will revisit this issue to work out a mutually satisfactory revision of the arrangement for non-wool fabrics and textile articles made from third-country yarns.