

Free Trade Agreement — Accelerated Tariff Elimination

Canada has entered into the second round of accelerated tariff elimination under the Free Trade Agreement (FTA).

The complete list of industry proposals for early removal of tariffs in this round was published in the *Canada Gazette* last month.

In light of the success of the process initiated last year, companies continue to propose changes to the FTA tariff schedules. Since Canadian industries are seeking such opportunities for further trade liberalization, the government is facilitating the consideration of their proposals (submission procedures at the end of this article).

The purpose of the government-initiated consultations is to obtain the views of domestic industry and other interested parties on the desirability of earlier tariff elimination on the items contained in this second list of requests.

Private-sector consultations will include the International Trade Advisory Committee (ITAC), the Sectoral Advisory Groups on International Trade (SAGITs), industry associations and labour organizations. (Canadian companies are encouraged to work with their industry associations). In addition, any interested party may submit written comments on the merits of particular requests.

On completion of these domestic consultations, proposals that enjoy broad industry support will be subject to consultations between the two governments.

The target date for implementing agreed changes to the respective tariff schedules is July 1, 1991.

Last year, through an exhaustive consultative process, followed by discussions between Canada and the U.S., agreement was reached to eliminate tariffs covering \$6 billion in bilateral trade.

As in the first round, the government intends to pursue, in subsequent consultations with the United States, only those proposals that are in the national interest and enjoy broad support in the industry sector concerned. Re-

quests that were examined in the first round will not be re-considered unless the applicant has demonstrated that circumstances in the industry have substantively changed.

The FTA provides for the elimination of all tariffs on Canadian and U.S. goods by 1998. For some categories of goods, tariffs disappeared when the Agreement came into force on January 1, 1989. For others, tariffs are scheduled to be phased out gradually in five or 10 equal annual stages.

The FTA also provides for accelerated elimination of duties on

particular items in the FTA tariff schedules, subject to consultation between the two governments. The results of the first round of accelerated tariff elimination were implemented on April 1, 1990.

Procedures for submitting comments are set out in the *Canada Gazette* Notice — published with the industry proposal list on October 6. Copies of the *Gazette* can be purchased from the Government Printing Centre, Department of Supply and Services, Ottawa, Ontario, (tel.: 819-997-2560), or from bookstores selling Government publications.

Canada to Participate in Trade Talks with the U.S. and Mexico

On September 24, 1990, Canada's International Trade Minister John C. Crosbie announced that Canada, the United States and Mexico had agreed to participate in discussions designed to establish the basis for subsequent negotiations on a free trade arrangement that would link the three countries.

In his announcement, Crosbie said: "We want to ensure our trade opportunities in the vital North American market. Mexico is an increasingly important part of that market, and a partner of growing importance to Canada. We therefore have concluded that it is in the Canadian interest to participate from the outset in these free trade talks first initiated by Mexico with the United States. The alternative would be not to participate and to lose the opportunity to have a direct influence and role in negotiations which could affect our trading interests in the vital North American market."

Canada-Mexico trade

Mexico is Canada's most important trading partner in Latin America and among our top 20 in the world. Trade between the two countries was worth \$2.88 billion in 1989, a 25 per cent increase over 1988.

Since the mid-1980s, Canada-Mexico trade has increased by more than 10 per cent each year. Improved access to the Mexican market will provide a distinct advantage to Canadian exporters as our products, services and technology are both competitive and in demand by a modernizing Mexico.

Crosbie's announcement follows earlier developments that have highlighted expanded trade and economic relations between Canada and Mexico, including Canada's decision last fall to join the Organization of American States, the visits to Mexico by Prime Minister Mulroney in March and Crosbie in April, and the September visit to Canada of Mexico's Secretary of Commerce and Industrial Development Dr. Jaime Serra Puche.

A market larger than the EC

The three nations are seeking to reduce tariffs and other trade barriers in an area that would encompass some 360 million consumers—larger even than the 326 million consumers of the European Community. Combined, the three countries represent a total Gross National Product (GNP) of almost U.S. \$6 trillion compared to the European Community's total GNP of almost U.S. \$5.5 trillion.