

FTA IMPLEMENTATION - WHAT HAPPENS

When the Canada-U.S. Free Trade Agreement enters into force on January 1, 1989, a number of changes will immediately come into effect.

Tariffs

Tariffs will be completely removed on about 15 per cent of dutiable bilateral trade. Upon entry into force of the Agreement, such items as computers and equipment, fur and fur garments, fresh frozen fish, animal feed, skis and skates, and whisky will cross the border duty-free if they are of Canadian or U.S. origin. On the same date, tariffs will be reduced by 20 per cent on about one-third of dutiable traded goods. Such goods include machinery, paint, furniture, paper and paper products, hardwood plywood, petroleum and after-market auto parts. Each year on January 1, another 20 per cent of the tariff will be removed until these goods become duty-free on January 1, 1993. On the remaining goods, constituting about 50 per cent of dutiable bilateral trade and including such items as clothing and textiles, appliances, most processed foods, footwear, drugs and cosmetics, etc., tariffs will drop by 10 per cent on the date of entry into force, and 10 per cent each year thereafter until they become free of duty by January 1, 1998.

Removal of Embargos

Canada will lift its embargo on the importation of used or second-hand airplanes, and used cars eight years old or older may be imported into Canada. The age of used cars that may be imported will drop by two years each year until the embargo is eliminated on January 1, 1993. The U.S. will eliminate its embargo on the importation of lottery tickets and printed paper used as lottery tickets on the same date.

Cross-border Temporary Entry Procedures

New rules governing temporary entry to the United States covering business visitors, professionals, traders and investors and inter-company transferees will come into effect for Canadian citizens. The agreed rules are based on reciprocal access for Canadian and American business travellers to the other market. National laws and regulations governing their entry will be liberalized and entry procedures will be quick and simple.

Wine and Spirits

Discriminatory mark-ups for distilled spirits beyond a permissible cost-of-service charge shall be eliminated immediately upon entry into force of the Agreement and the discriminatory mark-ups on wine shall be reduced by 25 per cent on the same date. There will be a further 25 per cent reduction on January 1, 1990, and a 10 per cent reduction each following year until the differential is removed by January 1, 1995.

New Rules of Origin

New rules defining what constitutes a product of Canada or the U.S. will come into effect. For manufactured products which require assembly, for example, 50 per cent of the direct production costs of the final product must be incurred in Canada and the U.S. to qualify for duty-free treatment. Canadian consumers purchasing goods in the