

The Auto Pact safeguards remain as do penalties to be imposed in the unlikely event a company should fail to meet its requirements. Until the end of the transition period, the assembly ratio safeguard is backed by the declining tariff for import from the U.S. and the MFN tariff on imports from third countries. After the transition period, the assembly ratio safeguard will still have to be met by the Auto Pact companies to retain their eligibility for duty-free imports from third countries. This benefit is currently worth \$300 million (and growing) on an annual basis to the "Big Three" and thus constitutes a significant incentive to continue to meet the Auto Pact requirements.

The new rules of origin in the FTA for producers will raise the demand for Canadian parts by requiring a high level of North American content in vehicles traded duty-free under the agreement.

By including the Auto Pact within the FTA, the Pact and the trade conducted under it will now benefit from being part of a binding, comprehensive, stable bilateral agreement.

Procurement

The FTA's procurement elements incorporate and build on existing GATT obligations. The GATT provides that specified government entities (departments and agencies) must ensure that purchases of more than \$171,000 (US) are made in an open, transparent, non-discriminatory manner. The FTA improves the practices for ensuring fair treatment and lowers the threshold from \$171,000 to \$25,000 (US). This will open an additional \$3 billion market to Ontario suppliers and will particularly benefit small business.

Temporary Access for Business People

The improved access provided by reduced tariffs and the procurement code are supported by provisions in the FTA which will greatly facilitate the temporary access of Ontario and Canadian business people to the U.S. markets for activities such as sales, promotion and service. This additional mobility should be particularly beneficial to the smaller and medium-sized business in Ontario that may wish to explore and develop new opportunities in the U.S. from their current Ontario base.