

The United States and Canada agree that the initial stage of reduction shall become effective January 1, 1989, for all products, except that for specialty steel items the initial stage of reduction shall become effective October 1, 1989, upon termination of the U.S. Section 201 action on such products.

Both Parties agree that goods meeting the rules of origin and for which the existing tariff rate, as defined in the agreement, is free shall remain free, with a limited number of agreed exceptions.

The United States agrees that the U.S. duty-free treatment of western red cedar shingles will be restored upon the termination of the current U.S. Section 201 action on that product.

The United States and Canada agree that reductions in rates of duty shall be rounded down to the next lower 0.1 percent, or 0.1 cent as the case may be for virtually all products.

The United States and Canada agree that the staged elimination of the duty established in the Agreement for any product may be accelerated upon mutual agreement by Canada and the United States on such acceleration for the particular product.

Canada and the United States agree upon a procedure and general guidelines to be followed for translating the schedules of tariff concessions from the Harmonized System nomenclature in which they are expressed to the nomenclature of their respective existing tariff schedules if that should become necessary.

Canada and the United States agree upon the tariff regime which will be applicable to products included in the Canadian Machinery Program.

## Customs

The rule of origin for eligibility for tariff treatment under the Agreement for articles incorporating non-party materials, will be based on specified changes in tariff classification under the Harmonized System. Articles imported under one tariff classification must be sufficiently processed in the