

- for those sectors ready to compete now, tariffs will be eliminated on the Agreement entering into force on January 1, 1989;
- for other sectors, tariffs will be eliminated in five equal steps, starting on January 1, 1989; and
- all other tariffs will be eliminated in 10 steps, most starting on January 1, 1989.

The combined effect of eliminating both Canadian and U.S. tariffs will be to allow Canada's manufacturing industry to rationalize and modernize and become more competitive. More competitive Canadian companies will be able to increase their penetration of the U.S. market and of world markets in general. The result should be more and better jobs for Canadians.

Both countries will leave intact their MFN tariffs vis-à-vis third-country suppliers. Both governments are participating in the Uruguay Round of multilateral trade negotiations which could result in reductions or elimination of many MFN rates. These reductions would, of course, form part of a larger package which would involve improved market access to the European Community, Japan and other developed, as well as developing, countries. Reductions on an MFN basis would thus be addressed on their own merits and wholly separately from considerations influencing the bilateral negotiations.

Goods which originate in Canada or the United States will qualify for the new tariff treatment. For goods incorporating offshore raw materials or components, it has been agreed that goods qualify for treatment as either of U.S. or Canadian origin if they have been sufficiently changed either in Canada or the United States to be classified differently from the raw materials or components from which they are made. The governments will use the tariff classification of the Harmonized System now being implemented by both governments. In certain cases, goods will need to incur a certain percentage of manufacturing cost in the country of origin. These rules will ensure that only Canadian and U.S. producers will benefit from the terms of the Agreement.