

A brief description of several issues that demonstrate the degree of continuity follows:

- In an increasingly competitive, globalizing economy, even relatively small import duties can affect corporate profits and influence investment decisions in a low inflation, low growth environment (e.g., the concern generated by the U.S. Customs finding that Honda Canada's Civics do not qualify for the FTA exemption from the U.S.'s 2.5% duty on cars).²⁴
- Developing countries will provide much of the impetus for continuing growth in world trade (world exports to these countries increased by 72% between 1985-90, compared to 89% to developed countries; but exports to south-east Asia and, more recently, to several Latin American economies are considerably more robust). Import duties of many developing countries remain comparatively high, and largely unbound by international obligations restricting unilateral increases.
- The import duties of industrialized economies on resource-based manufactures of importance to Canada, and for textile and clothing products, remain comparatively high: in Japan, such duties currently range up to 35% (for certain agricultural products), and rates in the 10%-15% range are common. Duties in export markets that rise with the level of processing (tariff escalation) create quite high effective rates of protection that impede resource processing in Canada.
- Differential tariffs exist and discriminate against Canadian goods: e.g., dressed spruce-pine-fir lumber (an important Canadian export) faces an unbound 8% Japanese import duty, while another fir item sourced largely in the U.S. and tropical lumber from LDCs enjoy duty-free treatment into Japan.
- The tariffication of import quotas in the agricultural sector will lead to import duties that will range up to 300%-350% if the MTN concludes successfully. Financial support policies will continue to distort significantly agricultural markets, even if some helpful reform is achieved through the MTN process.

²⁴ Canada, of course, promptly and correctly challenged this incorrect U.S. interpretation of the relevant FTA rule of origin.