ONTARIO
Overview

Canada is preparing to implement a bilateral trade agreement with the United States of America in order to expand and secure our trading access to the world's richest market. Until now, Canada has been the only industrialized country without the assured access to a market of 100 million people. That large market is needed to allow industry to fully specialize and to capture the economies of scale that are necessary for international competitiveness. The access that Canada has historically enjoyed to the U.S. market has been progressively eroded by U.S. protectionist forces. To address these matters, on January 2, 1988, Prime Minister Mulroney and President Reagan signed the Free Trade Agreement (FTA). During 1988, implementing legislation will be prepared and passed so that beginning on January 1, 1989 the agreement will begin to come into effect.

Secure and enhanced access to the U.S. market is vital to the Ontario economy. Commodity exports to the U.S. accounted for 31.8% of Ontario's gross provincial product. Fully 90% of Ontario's exports of goods go to the U.S. In 1986, the exports of goods to the U.S.A. were valued at $56.2 billion and amounted to $6,119 per capita. Ontario's leading commodity exports are autos, trucks and autoparts; precious metals; office machines and equipment; newsprint; telecommunications equipment; and aircraft parts. In addition, Ontario is the centre for much of Canada's service industry. It provides many services directly into the U.S. or to the exporters of goods.

ENHANCED ACCESS FOR GOODS

Elimination of all tariffs by January 1, 1998. Already a large proportion of Canada-U.S. trade is duty-free (about 70%). Of the remaining tariffs, over half will be eliminated in ten equal steps and about a third will go in five equal steps, starting on January 1, 1989. The balance of dutiable goods will face tariff elimination on January 1, 1989.

The U.S. customs user fee (0.02%) on all imports will be removed by 1993. This fee and U.S. tariffs have cost Canadian exporters $1.1 billion per year. Their removal will greatly facilitate the rationalization of Ontario's manufacturing businesses. It will allow them to serve the large North American market and to capture the economies of scale that are so important to international competitiveness. There will be scope to add value to Ontario's resource-based exports such as forest products (e.g. paper) and metal products (e.g. nickel, iron, steel and copper) which have faced higher tariffs on further