

A Synopsis of the Free Trade Agreement

Chapter One establishes the free-trade area and sets out the major objectives including:

- o the elimination of barriers to trade in goods and services between Canada and the United States,
- o facilitation of fair competition with the free-trade area,
- o liberalization of investment,
- o the establishment of procedures for the joint administration and resolution of disputes, and
- o national treatment with respect to investment and trade in goods and services.

Chapter Two contains general definitions applicable throughout the agreement.

Chapter Three on Rules of Origin and Articles 401-403 of Chapter Four covering tariffs and U.S. customs fees provide the basis for an examination of tariff impacts. A detailed examination of which tariffs are changing can be a guide to detailed case studies. It is important to note that these articles include provisions that could lead to accelerated reductions (and there has been some discussion of this already).

Articles 404-405 cover duty drawbacks, waivers and remissions. While actions in this area tend to be delayed for several years, anticipation of this by producers could influence investor behavior in 1989.

Article 407 reaffirms GATT restrictions on quantitative restrictions, and minimum import- and export-price requirements. Canada specifically eliminated restrictions on used or second-hand aircraft, on January 1, 1989, while the U.S. removes embargoes on lottery tickets and related commodities, but only on January 1, 1993.

Articles 408 and 409 provide the general articles restricting domestic initiatives that restrict exports through taxes, duties, or other charges. These articles conform with similar GATT provisions and reflect past behavior by Canadian and U.S. governments. There is no change expected as a result of the FTA.

Chapter Five defines national treatment, with Article 502 extending this to states and provinces in that they are supposed to provide no less favorable treatment to foreign (Canadian or American) nationals than they do to the most favoured group, whether that is residents of the state or province, or other states and provinces. Interpretive notes indicate that this Chapter reaffirms GATT agreements, and makes the obligations of states and provinces more explicit.