

about the same amount in imports from the U.S., based on 1989 trade data. Exports of particular interest to Canada include methanol (\$100 million in exports to the U.S.), photographic film (\$93 million), aluminum products (\$354 million), printed circuits (\$303 million) and diesel locomotives (\$425 million). Implementation of this agreement is expected on April 1, 1990. The timing for future negotiations is already being discussed.

The U.S. conversion to the Harmonized System of tariff classification coincided with, but was completely unrelated to, the introduction of the FTA. The resulting higher tariffs on a number of Canadian products have been incorrectly attributed to the FTA. The tariff acceleration exercise has helped to resolve some of the problems in the HS conversion issue and discussions are continuing.

Failure by the U.S. to implement tariff cuts on plywood and related wood panel products have also caused problems. The U.S. unilaterally delayed scheduled tariff cuts on these items because of the decision by the Canada Mortgage and Housing Corporation (CMHC) to refuse U.S. Grade C-D plywood for use in CMHC financed housing. In response, Canada suspended implementation of Canada's tariff cuts on the same products. Chapter 18 consultations have been held on the issue. The private-sector Binational Committee on Plywood Standards which was set up to reach an industry consensus on plywood standards will be reporting in the spring of 1990; this report should prove to be the basis for resolution of the dispute.

Canada Customs has paid particular attention to the systematic requirements. It ensures that importers have the certificates of origin in their possession when they claim FTA tariff treatment and provides importers and exporters with guidance and advice to make necessary adjustments where deficiencies in the certificates are found. Detailed verifications have been carried out, as required, to ensure that imported goods qualify under the rules of origin, and that complaints are routinely investigated.

Another area which is being carefully monitored is compliance by U.S. exporters with the FTA's rules of origin as they pertain to in-bond assembled or produced goods coming from the Mexican "maquiladora" zone. Media reports have alleged that goods assembled in the "maquiladora" zone, using U.S. components, would gain duty free access to Canada under the FTA, causing Canada to compete with cheaper Mexican labour and production costs. The FTA rules of origin ensure that only goods produced or significantly transformed in Canada or the U.S. have access to tariff preferences under the FTA. Safeguards are clearly set out in the Annex to Article 301.2 (transformation/improvement in value rules), Article 302 (trans-shipment through third countries) and Article 301.3 (disqualification of third country goods which receive simple finishing or packaging in Canada or the U.S.). Under these rules,