

- establish effective procedures for the joint administration of the Agreement and the resolution of disputes; and
- lay the foundation for further bilateral and multilateral cooperation to expand and enhance the benefits of the Agreement.

For the first time ever, it will specifically involve federal, state, and provincial measures. While the two federal governments will be the parties to the Agreement, the important role of the states and provinces is recognized and a number of key provisions will require their cooperation, such as the implementation of the commitments on wines and spirits.

An Open Border

Key to any free-trade Agreement, and required by the provisions of GATT, is the elimination of "duties and other restrictive regulations to commerce with respect to substantially all the trade" between the parties. The new Canada-United States Agreement will achieve this requirement over a period of 10 years starting January 1, 1989. The barriers which will be removed include the tariff, tariff-related programs, quantitative restrictions and other measures applied at the border.

Tariffs and Rules of Origins

The tariff has been an important but waning import policy instrument in Canada for many decades. Some 70% of Canada-United States trade now moves free of duty. Nevertheless, high U.S. tariffs -- 15% and more on petrochemicals, rolling stock, clothing and many other products -- continue to raise barriers to the U.S. market and prevent Canadian firms from achieving the economies of scale on which increased competitiveness and employment in Canadian industry depends. Additionally, the existence of Canadian tariffs on imports from the United States is often costly to Canadian consumers and producers.

The United States and Canada have now agreed to eliminate remaining tariffs. The cuts, however, will be phased in over a period of 10 years in order to allow companies to adjust to the new competitive circumstances. All tariffs will be eliminated by January 1, 1998 on the basis of three formulas: