

## Background

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The characteristics of the Canadian economy, our laws and regulations, and Canadian consumers themselves are all important considerations in assessing the impact of the Agreement on consumers.

### The Canadian Economy

Canada's is a relatively small and open economy. Commodity exports account for 30 per cent of Canada's Gross Domestic Product.

For these reasons, Canada generally has limited influence on the prices at which its products are traded internationally. Similarly, Canada does not have a major influence on the prices of the products which it imports. Thus, the elimination of Canadian tariffs and other barriers generally leads to corresponding reductions in the prices of imported products in Canada.

Tariff elimination will remove the most traditional and obvious impediments to trade. At present tariffs remain an important barrier to the import of U.S. products, despite the fact that over 75 per cent of U.S. goods are now admitted to Canada free of duty. In the case of consumer goods, these additional considerations must be taken into account:

- U.S. imports account for almost 50 per cent of the \$4.5 billion in customs duties paid to Canada in 1986;
- aside from items that are duty-free under the Auto Pact, customs tariffs levied on U.S. produced consumer goods are on average three times higher than tariffs on other imports from the United States (seven per cent vs. 2.2 per cent). Many consumer products are subject to quite significant tariffs, although there may be a wide variation in the rates applied to different goods. (See Table 3.1);

- tariffs tend to discourage trade. Some consumer products, such as clothing (see Table 3.1), are subject to very high tariffs; the level of trade suffers accordingly.

All Canadians stand to benefit significantly from the reduced prices for consumer products that will be brought about by the elimination of customs tariffs on U.S. imports. For competitive market forces to achieve this result, Canadian consumers must be in a position to make informed selections among competing products — both domestic and imported.

### Technical Standards for Consumer Information and Protection

A framework of laws, regulations and technical standards for consumer information and protection currently safeguards Canadians. This framework applies to both domestic and imported products and has three main purposes: to prevent fraudulent or misleading representations to consumers; to establish standards for the safety of consumer products or to permit withdrawal of hazardous products from the marketplace; and to ensure that certain basic information is made available to Canadian consumers so that they can make informed decisions.

Some examples of the technical standards provisions are:

- the requirements of the *Consumer Packaging and Labelling Act* provide for the identification of the responsible dealer of a consumer product and provide for bilingual labelling;