Chemicals and Plastics: The results of the negotiations with the United States on chemicals, especially petrochemicals, did not go as far as had been originally envisaged. However, the United States will significantly reduce its tariffs on certain organic and inorganic chemicals. Of particular importance will be duty-free access to the United States for synthetic rubber, sodium chloride, sodium chlorate and chlorine, caustic soda and ammonium nitrate. Important tariff reductions will be made on ethylene dichloride, phenols, styrene, and paints. Modest tariff cuts will be made on polypropylene, vinyl chloride monomer and polystyrene. Canadian exports of plastic products will benefit from U.S. tariffs being lowered to a range of 2 to 6 percent from a wide variety of much higher rates.

Exports of benzenoid chemicals will benefit from removal of the American Selling Price (ASP) method of valuation. However, the inherent protection provided by ASP was incorporated into the tariff base from which U.S. MTN reductions are being made.

Machinery: The U.S. market accounted for 41 percent of Canadian machinery sales and 72 percent of Canadian machinery exports in 1978. U.S. tariff concessions involve reductions in trade-weighted average U.S. tariffs from 5.4 to 3.3 percent. Notable U.S. concessions include duty-free treatment for a broad range of machinery for the pulp, paper and paperboard industry, and for ingot moulds and casting machines. In addition, the 5 percent duty on a broad range of special purpose motor vehicles, such as mobile cranes, wreckers and mobile clinics, will be reduced to 3.7 percent. Canada is the largest supplier of this equipment to the United States. Fork-lift trucks and platform trucks will gain duty-free access. The U.S. tariff on fire engines will be reduced from 8.5 to 5.3 percent.

Agricultural Machinery: The differing tariff treatment between Canada and the United States on agricultural machinery, implements and parts has been of concern to manufacturers and a long-standing irritant in trade relations. Canadian manufacturers of agricultural machinery produced goods worth $375 million in 1977 and close to 50 percent of this production went to the U.S. market. Currently, the United States still imposes duty on many items of agricultural machinery imported from Canada. Canada allows duty-free entry to a broader range of U.S. agricultural equipment. The United States has agreed in the MTN to establish an "actual use" provision in the U.S. tariff which will ensure that most Canadian exports of agricultural machinery and equipment will in fact enter free of duty, provided that they are for agricultural use.

Transportation Equipment: The large aftermarket for automotive parts in the United States is expected to grow steadily for the foreseeable future. As Canadian product lines are compatible with those manufactured in the United States, there is an important potential for greater sales to that market. As a result of the MTN, Canadian automotive parts companies should benefit from a reduction of the main U.S. tariffs to 3.1 percent from 4 percent. Duty-free treatment will be provided for certain specific products, such as electric lighting equipment.