

1.2 Chapters 3 and 4: Rules of Origin and Border Measures

The second round of annual tariff cuts was implemented January 1, 1990. Close to 80% of dutiable U.S. goods imported into Canada are benefiting from reduced tariff rates. Data on Canadian exports to the USA at reduced FTA tariff rates is not yet available from U.S. Customs. Canada Customs ensured compliance with the requirement that importers have certificates of origin in their possession when they claim the FTA tariff treatment and provided guidance to Canadian importers on Exporter's Certificates of Origin so importers could qualify for FTA benefits.

The agreement also provides for the accelerated elimination of tariffs if both countries agree. On April 1, 1990 tariffs were eliminated on an accelerated basis for more than 400 tariff items covering approximately \$6 billion in bilateral trade. Only items that were supported by the Canadian industry concerned and that were in the national interest were included. Canadian exports that will benefit include methanol (\$100 million in exports to the U.S. in 1989); photographic film (\$93 million); aluminum products (\$354 million); printed circuits (\$303 million) and diesel locomotives (\$425 million). In response to the further request by the business communities in both countries for accelerated elimination of tariffs, the two governments have initiated a second round of consultations. The two governments have received over 500 applications. The target date for implementation is July 1, 1991.

In response to Canadian representations, the USA agreed that the period of validity for blanket Exporter's Certificates of Origin should be extended from the previous maximum of six months to twelve, and that exporters may attach a list of multiple consignees to a single certificate. These measures helped to facilitate customs procedures for Canadian exporters.

The U.S. government enacted legislation to modify its merchandise processing fee (customs user fee) effective October 1, 1990. Minimum and maximum fees were established. All elements of the U.S. customs user fee are subject to the U.S. obligation under the FTA to phase out the fee by January 1, 1994. Effective January 1, 1991, the fee was reduced for Canada to 0.102% of the value of a shipment and the minimum and maximum for Canadian goods is \$12.60 and \$240 per shipment respectively. The current level of fees for other countries is 0.17% ad valorem and \$21 minimum and \$400 maximum.

Legislation was also enacted exempting Canada from the U.S. prohibition against the transport of lottery tickets through the USA. This allows Canadian exporters to ship their products to Mexico and other Latin American countries by the most economical route. A bill to restrict the import of textiles and footwear