

1. IMPLEMENTATION OF THE FTA

1.1 Introduction

While the Free Trade Agreement has only been in effect for one year, there are some obvious signs that exporters and importers are beginning to take advantage of the opportunities it has created. Canadian objectives during this period have been to implement the FTA in a manner that allows us to observe our obligations under the Agreement while vigorously exercising our FTA rights to ensure that the U.S. in turn fully meets its obligations. This will allow Canada to defend its interests and exploit new bilateral trade opportunities. To date, Canada has been largely successful in achieving these objectives.

What follows is a chapter-by-chapter review of developments related to the implementation of the FTA. Also included is an update on the government's trade development initiatives which are assisting Canadian exporters to exploit trade opportunities in the United States.

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

Implementation of these chapters has proceeded smoothly. Canada Customs undertook an extensive public information campaign on FTA customs administration changes resulting from the FTA, and most transitional issues have now been dealt with. However, certain importers have expressed concern about obtaining or generating certificates of origin from U.S. suppliers. Canada Customs is exploring methods of solving the problem.

The value of imports from the U.S. benefitting from reduced rates of duty from January 1 to October 30, 1989 was \$12.7 billion out of a total of dutiable imports from the U.S. of \$22.8 billion. Canadian importers are now enjoying a reduction in duty on over 65 per cent (by value) of imports eligible for duty. This is compared to only 18 per cent in the first month of implementation. Importers who were not in a position to claim preferential duty treatment when their goods crossed the border and who have now secured an Exporter's Certificate of Origin are receiving a refund of the duties overpaid. Comparable figures for Canadian imports entering the U.S. are not yet available, but the government has requested that U.S. Customs move expeditiously to provide them.

Canada and the U.S. have responded to requests from their domestic industries for the accelerated removal of tariffs as envisaged in Article 401:5 of the FTA. Agreement has been reached to accelerate removal of tariffs on some 400 tariff items in each country, covering close to \$3 billion in Canadian exports to the U.S. and