

TRADE LIBERALIZATION THROUGH TARIFF REDUCTION COMMITMENTS

The NAFTA does not affect the tariff phase-out of the Canada-U.S. Free Trade Agreement (FTA), under which virtually all tariffs between the United States and Canada will be eliminated by January 1, 1998. For trade between Canada and Mexico, the NAFTA will result in the elimination of virtually all tariffs by January 1, 2003.

In addition, the NAFTA provides for the accelerated elimination of tariffs where countries agree. This is an industry-driven process that includes public consultations, involving consumers and other interested parties, whereby the elimination of tariffs is negotiated based on support in the industry sector concerned.

Preliminary figures and studies indicate the extent to which tariff reduction under the FTA and NAFTA have had an effect on

growth rates of trade. Canadian exports to the United States have grown faster (in both value and volume terms) in some sectors liberalized by the FTA and NAFTA (e.g. industrial machinery, office machinery, textile materials, specialty papers, and consumer goods) than in sectors where tariffs were already low or at zero. Imports from the United States show similar trends (particularly in areas such as clothing, processed food and beverages, furniture, transportation equipment, and household products).

In value terms, between 1988 and 1995, Canadian exports to the United States of products liberalized by the FTA and NAFTA increased by about 140 percent, whereas the increase for exports as a whole was 100 percent. Imports of liberalized products from the United States increased by about 100 percent, while total imports increased by 75 percent.