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Minister for
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Trade



Ministre du
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SECOND MEETING OF THE
CANADA-UNITED STATES TRADE COMMISSION

The Honourable John C. Crosbie, Minister for International Trade and Ambassador Carla Hills, United States Trade Representative, met in Ottawa on November 30 for the second meeting of the Canada-United States Trade Commission established by the Free Trade Agreement.

The mandate of the Commission is to supervise the implementation of the Free Trade Agreement, resolve disputes and ensure the evolution of the agreement in the mutual interest of Canada and the United States.

Minister Crosbie and Ambassador Hills expressed their overall satisfaction with the implementation of the Free Trade Agreement. While the Agreement has only been in effect for eleven months, exporters in both countries were already beginning to take advantage of the opportunities created by the new Agreement. Minister Crosbie and Ambassador Hills noted that the Agreement has a ten year transition period, and that additional trade and investment opportunities would open as barriers are phased down during this period.

Minister Crosbie and Ambassador Hills reviewed a number of the current trade disputes between the two countries. The Ministers noted that most of these disputes did not arise from new obligations created by the FTA. The Ministers expressed their joint commitment to try to resolve these problems, which clearly are important to those involved in each instance. The Ministers agreed it was important not to allow disputes involving a very small fraction of the bilateral relationship to detract from the mutually beneficial relationship we enjoy in the vast majority of our trade.

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Acting as the Commission, Minister Crosbie and Ambassador Hills took a number of decisions, a summary of which is attached. In this regard, they noted with particular pleasure that they had reached provisional agreement to accelerate elimination of tariffs on more than 400 items. These reductions, which would cover more than 6 billion dollars in bilateral trade, were in every instance requested by the private sector and enjoyed broad support on both sides of the border. Other decisions taken were all intended to facilitate implementation of the agreement, expand its benefits, and enable the parties to work toward further, mutually beneficial liberalization of trade and economic relations.

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SUMMARY OF DECISIONS

TARIFF ACCELERATION

The Commission noted with satisfaction the large volume of requests for the acceleration of tariff reductions between the two countries. The Commission recommended to the two governments (subject to completion of necessary domestic legal procedures) the accelerated elimination of tariffs on a range of tariff lines and products. The provisional agreement covers approximately (\$6 billion) of trade between Canada and the United States and is evidence of the importance companies on both sides of the border attach to the free trade provisions of the FTA.

TEMPORARY ENTRY

In response to increasing requests from business organizations, the Commission has recommended to both governments the expansion of the categories of business people who will be allowed easier temporary entry between the two countries. It has recommended the amendment of eligibility requirements for temporary entry for professionals covered under Chapter 15 of the Agreement. In addition, there were refinements made to the educational requirements of some of the professions to better reflect the situation in Canada and the United States. Finally, at the request of the industry, journalists were removed from the list of professions which qualify for easier temporary entry.

Both countries will now submit these proposed amendments to the necessary domestic review processes. In the U.S., the list will be published in the Federal Register to allow sixty days for comments from interested parties. In Canada, the list will be published in the Canada Gazette to allow the same time for provinces and all interested groups to comment. The final text will be determined in the light of comments received.

AGRICULTURAL WORKING GROUPS AND FISH WORKING GROUPS

In a joint effort to work toward the elimination of technical barriers to trade in fishery products, the Commission has created an additional working group under Article 708 of the Agreement. It also reviewed the progress of the original eight working groups. These working groups have as their long-term objective, the elimination of technical barriers to trade in agricultural, food, beverage and certain related goods.

REVIEW OF CHAPTER 19 PANEL PROCESS

The Commission recommended to their respective governments the implementation of proposed amendments to the rules procedures for the Chapter 19 binational panel review. These changes will improve the effectiveness and efficiency of the Chapter 19 dispute settlement process.

CHAPTER 19 WORKING GROUP

The Commission noted the initial report of the Working Group. The Commission also endorsed the program of activities for the first half of 1990 recently agreed to by the Working Group. This program included consulting domestically and gathering information necessary to the negotiations; monitoring progress in the Uruguay Round; reviewing the bi-national panel process; and as appropriate, making recommendations to the Commission.

REPORT OF THE AUTO PANEL

The Commission reviewed the draft report of the Auto Panel and agreed with its work plan to study the international competitiveness of the North American auto industry and the potential for new export opportunities and to examine automotive rules of origin. In a move that will further improve the climate of cross-border automotive trade, the Commission agreed to use the existing mechanism of the FTA to address the three recommendations of the Automotive Select Panel. These recommendations concern automotive customs procedures, statistics and standards/regulations.

TOURISM WORKING GROUP

In an effort to enhance cooperation between the two countries in the area of tourism, the Commission welcomed the establishment of a Tourism Working Group under Chapter 14 of the Agreement, and accepted the report of its first meeting.

REVIEW OF MACHINERY AND EQUIPMENT LISTS

Canada presented to the U.S., in the context of the Commission, the Canadian lists of exemptions from customs duties of additional machinery and equipment as required by Article 401.6.3.

PLYWOOD

The Commission reviewed the status and progress of the work of the Binational Committee on Plywood Standards and agreed to send a joint letter to the Committee urging it to submit recommendations for common standards no later than February 28, 1990.

SERVICES WORKING GROUP

The Commission established a Working Group on Services in order to monitor the implementation of Chapter 14, consider in consultation with the industries concerned the expansion and further liberalization of trade in services pursuant to Article 1405, and report regularly to the Commission.

TEMPORARY ENTRY FOR BUSINESS PERSONS - CHAPTER 15

As required by Article 1503 of the FTA, consultations have been held with the U.S. to develop measures to further facilitate temporary entry of business persons on a reciprocal basis, and to develop amendments and additions to Annex 1502.1.

The Commission has approved the following amendments proposed by the consultative mechanism. First, amend Schedule 1 of the Annex to alter the wording of the provision for Sales to ensure it conforms to language found elsewhere in the Chapter. Second, add a paragraph to the Distribution provision in Schedule 1 to allow facilitated entry of operators of high-capacity motor coaches on regularly scheduled routes (with or without intermediate loading or delivery of passengers within the United States/Canada) that were in operation at the time of entry into force of the Agreement. Third, amend Schedule 2 of the Annex to incorporate the minimum standards for qualification in each of the professional groups listed in the Schedule (this is necessary to enable professionals to understand the criteria and ensure reciprocal treatment by port of entry officials in both countries). Fourth, add more professions to the current list contained in Schedule 2 where inclusion has been sought by that professional group (e.g. geologists) or where the internal logic of the current list dictates inclusion (e.g. chemists were not on the original list yet scientific technicians working in support of chemists were included). Fifth, delete journalists from the current list because of widespread representations from journalists objecting to inclusion.

Both countries will now submit the proposed amendments to the necessary domestic review processes. In the U.S., the list will be published in the Federal Register to allow sixty days for comments from interested parties. In Canada, the list will be published in the Canada Gazette to allow the same time for provinces and all interested groups to comment. The final text will be determined in the light of comments received.

A copy of the proposed amendments is attached. Appendix A refers to changes to Schedule 1 to Annex 1502.1 and Appendix B refers to changes to Schedule 2.

APPENDIX A *

SCHEDULE 1 TO ANNEX 1502.1

A) Sales

Delete the first paragraph and replace with the following:

- + sales representatives and agents taking orders or negotiating contracts for goods or services **FOR AN ENTERPRISE LOCATED IN CANADA/THE UNITED STATES** but not delivering goods or providing services

B) Distribution

Add the following paragraph after the first paragraph in this provision:

- + **TRANSPORTATION OPERATORS (OTHER THAN TOUR OR CHARTER MOTOR COACH OPERATORS) OF HIGH-CAPACITY MOTOR COACHES DELIVERING PASSENGERS ON REGULARLY SCHEDULED ROUTES TO THE UNITED STATES/CANADA, WITH OR WITHOUT INTERMEDIATE LOADING OR DELIVERY OF PASSENGERS WITHIN THE UNITED STATES/CANADA. THIS PROVISION IS LIMITED TO OPERATORS OF HIGH-CAPACITY MOTOR COACHES ON REGULARLY-SCHEDULED ROUTES THAT WERE IN OPERATION ON THE DATE OF ENTRY INTO FORCE OF THE AGREEMENT. A HIGH-CAPACITY MOTOR COACH IS DEFINED AS HAVING A GROSS SEATING CAPACITY OF NO LESS THAN 40 PERSONS, INCLUDING THE OPERATOR.**

* Changes to the existing text of the Agreement are indicated in bold capital letters.

APPENDIX B *

SCHEDULE 2 TO ANNEX 1502.1

A) Add after the following professions the following minimum educational requirements/alternative credentials:

<u>PROFESSION</u>	<u>MINIMUM EDUCATIONAL REQUIREMENTS/ ALTERNATIVE CREDENTIALS</u>
Architect	BACCALAUREATE DEGREE OR STATE/PROVINCIAL LICENCE
Dietician	BACCALAUREATE DEGREE
Economist	BACCALAUREATE DEGREE
Engineer	BACCALAUREATE DEGREE OR STATE/PROVINCIAL LICENCE
Forester	BACCALAUREATE DEGREE
GRAPHIC DESIGNER	BACCALAUREATE DEGREE
LAND SURVEYOR	BACCALAUREATE DEGREE OR STATE/PROVINCIAL/FEDERAL LICENCE
LANDSCAPE ARCHITECT	BACCALAUREATE DEGREE
Lawyer	L.L.B., J.D., L.L.L. OR MEMBERSHIP IN A STATE/PROVINCIAL BAR ASSOCIATION
Librarian	BACCALAUREATE DEGREE IN LIBRARY SCIENCE AND THREE YEARS EXPERIENCE OR MLS.

* Changes to the existing text of the Agreement are indicated in bold capital letters.

PROFESSIONMINIMUM EDUCATIONAL REQUIREMENTS/
ALTERNATIVE CREDENTIALSMEDICAL/ALLIED PROFESSIONAL

+ Dentist	D.D.S., D.M.D. OR STATE/PROVINCIAL LICENCE
+ OCCUPATIONAL THERAPIST	BACCALAUREATE DEGREE
+ PHARMACIST	BACCALAUREATE DEGREE OR STATE/PROVINCIAL LICENCE
+ Physician (teaching and/or research only)	M.D. OR STATE/PROVINCIAL LICENCE
+ PHYSIO/PHYSICAL THERAPIST	BACCALAUREATE DEGREE
+ RECREATIONAL THERAPIST	BACCALAUREATE DEGREE
+ Registered Nurse	STATE/PROVINCIAL LICENCE
+ Veterinarian	D.V.M. OR STATE/PROVINCIAL LICENCE
Nutritionist	BACCALAUREATE DEGREE
Psychologist	BACCALAUREATE DEGREE
Range Manager (Range Conservationist)	BACCALAUREATE DEGREE
Research Assistant (working in post-secondary educational institution)	BACCALAUREATE DEGREE

<u>PROFESSION</u>	<u>MINIMUM EDUCATIONAL ALTERNATIVE REQUIREMENTS</u>
<u>SCIENTIST</u>	
+ Agriculturist (Agronomist)	BACCALAUREATE DEGREE
+ Animal Scientist	BACCALAUREATE DEGREE
+ APICULTURIST	BACCALAUREATE DEGREE
+ ASTRONOMER	BACCALAUREATE DEGREE
+ Biochemist	BACCALAUREATE DEGREE
+ Biologist	BACCALAUREATE DEGREE
+ CHEMIST	BACCALAUREATE DEGREE
+ Dairy Scientist	BACCALAUREATE DEGREE
+ Entomologist	BACCALAUREATE DEGREE
+ Epidemiologist	BACCALAUREATE DEGREE
+ Geneticist	BACCALAUREATE DEGREE
+ GEOLOGIST	BACCALAUREATE DEGREE
+ Geophysicist	BACCALAUREATE DEGREE
+ Horticulturist	BACCALAUREATE DEGREE
+ METEOROLOGIST	BACCALAUREATE DEGREE
+ Pharmacologist	BACCALAUREATE DEGREE
+ Physicist	BACCALAUREATE DEGREE
+ Plant Breeder	BACCALAUREATE DEGREE
+ Poultry Scientist	BACCALAUREATE DEGREE
+ Soil Scientist	BACCALAUREATE DEGREE
+ Zoologist	BACCALAUREATE DEGREE
Social Worker	BACCALAUREATE DEGREE
Sylviculturist (Forestry Specialist)	BACCALAUREATE DEGREE
<u>TEACHER</u>	
+ College	BACCALAUREATE DEGREE
+ Seminary	BACCALAUREATE DEGREE
+ University	BACCALAUREATE DEGREE
Technical Publications Writer	BACCALAUREATE DEGREE
URBAN PLANNER	BACCALAUREATE DEGREE
Vocational Counselor	BACCALAUREATE DEGREE

APPENDIX B

SCHEDULE 2 TO ANNEX 1502.1

B) Delete the following profession:

Journalist (baccalaureate and three years
experience)

FTA ACCELERATED TARIFF ELIMINATION

BACKGROUNDER

- The Trade Commission reviewed and accepted the results of recently concluded bilateral consultations during which agreement was reached on a list of items that will be subject to earlier FTA tariff elimination. The agreement is subject to final approval by both governments.
- Under the agreement:
 - ▶ Over 400 tariff items in each country's tariff schedule are covered. Only items that are supported by the Canadian industry concerned are included.
 - ▶ There is a balance of trade interests. The package covers close to \$3.0 billion in Canadian exports to the U.S. and approximately the same value of U.S. exports to Canada, based on 1989 trade data.
 - ▶ Canadian exporters will benefit from duty-free access to the U.S. market in a number of areas, including (figures represent projected exports for 1989):
 - methanol (\$100 million);
 - photographic film (\$93 million);
 - telecommunications equipment (\$423 million);
 - aluminium products (\$354 million);
 - printed circuits (\$303 million); and
 - diesel locomotives (\$425 million).
 - ▶ Canadian manufacturers also will benefit from the elimination of Canadian duties on a range of products that are not made in Canada and are being imported from the United States for use in domestic manufacturing.
- In keeping with industry requests, tariffs on most items will be eliminated upon implementation of the agreement. In some cases, tariff elimination will be accelerated from the existing ten-year phase-out schedule to the five-year schedule.

- The agreement is subject to a final approval process in Canada and the United States. In the United States, the process includes a review of the package by the House Ways and Means Committee and the Senate Finance Committee. The Committees have 60 days for that review, following which the necessary amendments to the U.S. Tariff Schedule will be made by Presidential Proclamation. In Canada, the agreement will be implemented through Order-in-Council amendments to the Customs Tariff, following pre-publication in the Canada Gazette to allow interested parties an opportunity to comment.
- In light of the approval processes in both countries, it is expected that the agreement will be implemented on April 1, 1990.
- The tariff acceleration process was established by the two governments in response to representations that were being made by Canadian and U.S. industries interested in faster tariff elimination. Interested parties were invited in March to submit specific requests. Nearly 350 applications were made to the Canadian government and the U.S. government received over 200 petitions.
- On July 15, the consolidated list of requests received by the Canadian and U.S. governments was published in the Canada Gazette. During the domestic consultation period which followed, over 1,200 written submissions were received by the Government from industry associations, labour unions, and individual firms. The Government also solicited and received advice from its industry advisory groups, the International Trade Advisory Committee (ITAC) and the Sectoral Advisory Groups on International Trade (SAGITs), and from Provincial governments.
- In the Free Trade Agreement, Article 401.5 provides for accelerated elimination of tariffs subject to bilateral consultation.
- The Government is willing to pursue in the future requests that enjoy broad industry support.

For further information contact:

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