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# news release

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## THIRD ROUND OF EARLY TARIFF CUTS UNDER FTA IMPLEMENTED JULY 1

The Honourable Tom Hockin, Minister for International Trade, and the Honourable Gilles Loiselle, Minister of Finance, announced today that the third round of the accelerated elimination of certain Canadian and U.S. tariffs went into effect on July 1, 1993.

This round of early tariff removals under the Canada-U.S. Free Trade Agreement (FTA) eliminates tariffs on over 300 specific products on each side, worth about \$1 billion in two-way trade. Products of particular interest to Canadian exporters include engine parts, denim fabrics, certain alcoholic beverages, yarns and staple fibres.

"The response by Canadian and U.S. companies to the accelerated elimination of tariffs under the FTA has been very positive," said Minister Hockin. "The fact that these companies are willing to cut tariffs faster than what was scheduled under the FTA shows a keen interest in making their industries more competitive."

"This is the kind of competitive attitude by Canadian industries that will sustain long-term economic recovery in this country," added Minister Loiselle.

The first and second rounds of accelerated tariff elimination resulted in the early elimination of tariffs on more than 650 items valued at about \$8 billion in two-way trade.

The ministers also noted that the early elimination of tariffs is in response to industry requests. The government consulted closely with Canadian industries, and pursued only those proposals that enjoyed broad support in the industry sector concerned and that were in the national interest.

The FTA provides for the elimination of all bilateral tariffs on goods of Canadian and U.S. origin by 1998. Tariffs for some categories of goods were removed when the FTA came into force on January 1, 1989. Others are being phased out in equal annual stages.

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## Backgrounder

### FTA ACCELERATED TARIFF ELIMINATION

- The accelerated removal of tariffs is provided for in Article 401.5 of the Canada-U.S. Free Trade Agreement (FTA). It was initiated by the Canadian and U.S. governments in response to representations made by industries in both countries.
- The first round of early tariff elimination was implemented on April 1, 1990, and included more than 400 tariff items covering about \$6 billion in two-way trade. The second round was implemented on July 1, 1991, and included more than 250 items valued at \$2 billion in trade.
- For the third round, interested parties in Canada and the United States were invited in November 1991 to submit specific requests to their governments. Nearly 300 applications were made to the Canadian and U.S. governments.
- On September 5, 1992, the consolidated list of requests received by both governments was published in the *Canada Gazette* for public comment.
- In the end, the governments agreed to eliminate tariffs on 335 specific U.S. products and 340 specific Canadian products. Areas of particular interest to Canadian exporters include (value of exports to the United States in 1992):
  - staple fibres (\$52 million)
  - engine parts (\$39 million)
  - cellulose acetate yarns (\$27 million)
  - glass fibre yarns and mats (\$27 million)
  - copper alloy tubes/pipes (\$20 million)
  - tire cord fabric (\$18 million)
  - denim fabric (\$17 million)
  - certain alcoholic beverages (\$16 million)
- Canadian manufacturers will benefit from the early elimination of duties on a range of items imported from the United States for use in Canadian manufacturing.
- Consumers will also benefit from the end of tariffs on a diverse range of consumer goods, including golf gloves and bags, badminton rackets, electric blankets, portable workbenches, and certain motorcycle parts.