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## ROUND TWO OF FTA ACCELERATED TARIFF ELIMINATION EFFECTIVE JULY 1

Minister of Industry Science and Technology and Minister for International Trade Michael H. Wilson has confirmed that U.S. and Canadian tariffs on a wide range of goods traded between the two countries are being eliminated or further reduced under the Free Trade Agreement (FTA). The tariff reductions, which result from the domestic and bilateral consultations held this year on accelerated tariff elimination under the FTA, were implemented provisionally on July 1 by both governments.

"Early elimination of these tariffs had been requested by businesses on both sides of the border," Mr. Wilson said. "It shows they are willing to compete without tariffs in a larger market even earlier than was agreed to when the FTA was negotiated."

The elimination of tariffs will increase Canadian exports to the U.S. market and will reduce costs for Canadian firms that buy manufacturing inputs from the United States. "This improves the competitiveness of Canadian industry, both ways," the Minister said.

The package being implemented includes over 400 products on each side, covering approximately \$2 billion in two-way trade. In particular, U.S. tariffs are being eliminated or reduced on canola oil, plastic-making moulds, styrene, fresh or chilled beef and flaxseed.

This is the second round of tariff elimination negotiations undertaken by the two countries at industry request, as allowed under Article 401.5 of the FTA.

The tariff reductions were introduced on a provisional basis in order to meet the target implementation date that had been established by the two governments. The formal approval process on each side will be completed later in July, at which time final enactment of the amendments to the two countries' tariff schedules will be completed.

Mr. Wilson pointed out that total two-way trade with the U.S. amounted to \$202 billion last year and that Canada's trade surplus reached \$17.3 billion, up from \$13.6 billion in 1988, the year before the FTA was enacted.

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For further information, media representatives may contact:

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## FTA ACCELERATED TARIFF ELIMINATION BACKGROUND

- The Trade Commission has 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 Free Trade Agreement (FTA) tariff elimination. The agreement is subject to final approval by both governments.
- Under the agreement:
  - ▶ More than 250 tariff items in each country's tariff schedule are covered. In addition, the agreement includes 400 specific products.
  - ▶ There is a balance of trade interests. The package covers more than \$1 billion in Canadian exports to the U.S. and approximately the same value of U.S. exports to Canada, based on 1990 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 1990):
    - plastic-making moulds (\$209 million);
    - styrene (\$200 million);
    - fresh or chilled beef (\$141 million);
    - canola seed, oil and oil cakes (\$138 million);
    - flaxseed (\$73 million); and
    - coated abrasives (\$60 million).
  - ▶ Bilateral tariffs on railway passenger coaches and their parts will be eliminated immediately. The United States has also agreed to eliminate its tariffs on used freight cars of Canadian origin. The current U.S. tariff on most Canadian railway cars is 12.6 per cent.
  - ▶ Canadian manufacturers will also 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 were eliminated on July 1, 1991.

- The tariff acceleration process was established by the two governments in response to representations made by Canadian and U.S. industries interested in faster tariff elimination. Interested parties were invited in February 1990 to submit specific requests. Nearly 500 applications were made to the Canadian and U.S. governments.
- On October 6, 1990, the consolidated list of requests received by the Canadian and U.S. governments was published in the *Canada Gazette*. During the domestic consultation period that followed, more than 650 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.
- On April 1, 1990, tariff reductions that resulted from the first round of accelerated tariff elimination consultations were implemented. The list of products included in the first round included more than 400 tariff items on each side covering approximately \$6 billion in two-way trade.
- In the Free Trade Agreement, Article 401.5 provides for accelerated elimination of tariffs subject to bilateral consultation.

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