

THE CANADA-U.S. NEW PARTNERSHIP

On November 30, 2004, Prime Minister Martin and President Bush set out an agenda for increasing the prosperity, security and the quality of life of citizens in Canada and the United States:

- expanding economic opportunity by making North American business more competitive in the global marketplace
- reinforcing joint efforts to secure the safe movement of people and goods within North America, building on the Smart Borders Declaration, and
- enhancing mutual efforts to protect the environment, improve the ability to combat infectious disease, fight crime, and prevent trafficking in humans and illegal drugs.

Prime Minister and President Bush therefore announced a New Partnership agenda devoted to our joint security, prosperity and quality of life, and to working together on issues of mutual interest beyond North America.

A major aim of the New Partnership agenda is to expand economic opportunity by making businesses more competitive in the global marketplace and to respond to the new global economy. This is underpinned by the growing integration of many North American sectors, e.g. automobiles, steel and energy. North American value chains are expanding. As commercial networks spread around the world, the global competitiveness of Canadian, U.S. and Mexican firms is increasingly dependent on the competitiveness and efficiency of the North American economy as a whole.

This has drawn renewed attention to making our economies work well together. Regulatory dissonance can significantly detract from our overall goal of making the NAFTA area more competitive, particularly where we share common regulatory objectives. For instance, the closing of the border to Canadian beef products due to isolated incidents of Bovine Spongiform Encephalopathy (BSE) or “mad cow” disease in Canada demonstrates the negative consequences of unintended “regulatory protectionism” in integrated sectors. Greater regulatory collaboration helps our countries deal in a coordinated way with challenges such as BSE, where variances in our regulatory systems can give rise to market access impediments, cause hardship, and possibly permanently disrupt integrated sectors.

In this context, the Prime Minister and the President agreed to accelerate efforts to liberalize rules of origin—customs formalities that restrict duty-free benefits and impose paperwork burdens that can add

measurably to business costs—and to pursue joint approaches to partnerships, consensus standards and smarter regulations as ways of promoting greater efficiency and competitiveness while maintaining the highest standards of health and safety.

RESOLVING DISPUTES

Underlying the launch of the Canada-U.S. New Partnership was the need to find more effective ways of resolving disputes. NAFTA’s working groups provide a transparent, non-political arena for discussing contentious issues and avoiding disputes. The dispute settlement provisions of NAFTA itself have generally worked well. Over 95% of Canada-U.S. trade is dispute-free. But any relationship as complex as ours with the U.S. is bound to see disagreements from time to time, and the institutional frameworks for managing them—the WTO and NAFTA—have not been sufficient in all cases.

In fact, we currently face certain major problems. Important Canadian sectors such as softwood lumber, wheat and live swine, for instance, have faced repeated challenges under U.S. trade law. NAFTA has failed to protect them adequately from this type of action. But NAFTA cannot lead to North American solutions to trade problems if settlements under its provisions can be overturned by special interests. We continue to remind our trading partners that it is in the interest of all three NAFTA countries to ensure that panel decisions are respected and implemented properly. Persistent litigation is destructive to our sectors and damaging to the United States too: U.S. duties on softwood lumber exports, for instance, drive up significantly the cost of American homes.