



**"WE SHIP THROUGH-
OUT NORTH AMERICA
BY RAIL, TRUCK, AND
BARGE. TO US,
THERE IS NO BORDER
BETWEEN CANADA
AND THE U.S."**

TERRY LITCHFIELD, MANAGER,
TRANSPORTATION &
DISTRIBUTION, CANADIAN
OXY CHEMICALS GROUP
ELECTRONICS LTD.

**"THE CONTINENT HAS
SHRUNK TO OVER-
NIGHT DELIVERY BY
AIR AND THREE DAYS
BY TRUCK FROM ALL
OF THE MAJOR
INDUSTRIAL CENTRES.
WE LOOK AT NORTH
AMERICA AS ONE BIG
COUNTRY."**

MAX PERSAUD, MANAGER,
CORPORATE LOGISTICS,
PHILIPS ELECTRONICS LTD.

FREE TRADE: UNIQUE OPPORTUNITIES FOR INTERNATIONAL INVESTORS

GREATER OPPORTUNITIES FOR BUSINESS IN CANADA

Investors in Canada enjoy the advantages of tariff-free access to the world's richest economy, through the Canada-U.S. Free Trade Agreement (FTA). The North American Free Trade Agreement (NAFTA), effective January 1, 1994 improved the Canada-U.S. agreement and extended the access of Canadian-based companies to markets in Mexico.

The FTA was built on a long history of economic cooperation between the countries. As a result of the Canada-U.S. Auto Pact signed in 1965, the major American automobile companies have for many years used cost-effective Canadian plants as a base for production of cars and parts for the U.S. market, and Canada has been a consistent net exporter of automobiles for this reason. Even before the FTA, over 80% of Canada's exports to the United States entered that market duty-free.

The FTA offered a number of important improvements on Canada's open trading arrangement with the United States. Canada gained unique access to an impartial trade dispute resolution procedure that has already been used to undo trade barriers to a number of Canadian-made products, in a much faster process than through the GATT. Canada also has a special exemption to U.S. tariffs imposed under GATT

measures that enable a country to temporarily protect an industry against an import surge, where Canadian exports are not a major part of the surge. Many other provisions were designed to ensure that Canadian-based manufacturers and service suppliers had the same access to American markets and government contracts as firms based in the United States. Canada is, in fact, the leading exporter to the United States, and has the largest two-way trade relationship with the U.S.

Canadian exports to the U.S. have shown considerable growth since the signing of the trade agreement, a sign that Canadian-based companies are winning new markets for their products and services as tariffs and other trade barriers are removed. The largest export gains have been in manufactured goods liberalized under the FTA, which have climbed almost 38% since the accord took effect in 1989.

Canada's Stable Dollar
indexes of annual average exchange rates vs
U.S. dollar (value in Jan. 1987 = 100)



Sources: Bank of Canada Review; International Monetary Fund, International Financial Statistics, Feb. 1993.

