



Massena, N.Y., lock of the St. Lawrence Seaway. The Seaway International Bridge between Cornwall, Ont., and Rooseveltown, N.Y., is in the background.

Free, Fair and Beneficial

Free, fair trade benefits everyone—producers, manufacturers, workers and consumers. The people in countries which trade on a large scale and in a wide variety of products—such as the United States and Canada—benefit most.

The liberalization of trade between Canada and the United States, which began with the signing of the Reciprocal Trade Pact of 1935, was given further impetus with the Defence Production and Defence Development Sharing Arrangements that grew out of World War II, and the Auto Pact of 1965. The GATT rounds of negotiations on multilateral

trade have significantly enhanced bilateral trade as well.

The new Free Trade Agreement, which President Reagan and Prime Minister Mulroney signed on January 2, 1988:

- facilitates fair competition;
- eliminates all tariffs and most other restrictions on trade over a 10-year period;
- establishes a set of principles covering trade in services, including financial services;
- expands investment opportunities;
- establishes procedures for the avoidance and resolution of trade disputes;
- liberalizes access to federal government procurement in both countries;
- ensures security of supply and security of markets in energy products for both countries;

- reduces barriers to trade in wine and distilled spirits;
- facilitates business travel between the two countries.

The agreement's rules of origin ensure that only American and Canadian products will benefit from the elimination of tariffs and non-tariff barriers.

The agreement breaks ground in areas of fundamental importance. It is the first international agreement to eliminate export subsidies in agriculture. It is the first to recognize the growing importance of trade in services, the major new generator of wealth among nations. It establishes a new, hospitable and secure climate for transborder investment.

The Future

The Free Trade Agreement is now up for final consideration. The processes in the two countries are different. In Canada the Prime Minister is a Member of Parliament and, by definition, the leader of the majority party, and approval of the implementing legislation can be assumed. In the United States, Congress authorized a "fast-track" procedure for consideration of a free trade arrangement between the United States and Canada, which permitted the negotiators to shape a single, comprehensive package. The implementing legislation will be voted up or down, without amendment. A simple majority in both the House of Representatives and the Senate is required for approval. Congressional leaders have agreed that a vote on the legislation will take place before the end of the year.

The agreement is a harbinger of a

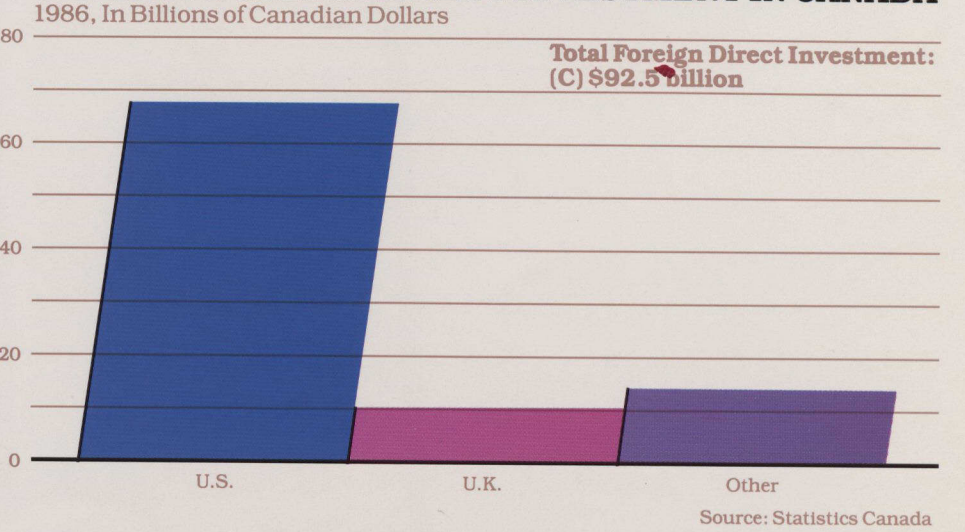
prosperous future. It will increase the volume of trade, increase employment and raise real income in both countries. A U.S. Commerce Department survey has projected a \$25-billion increase in two-way trade over a five-year period and the creation of tens of thousands of new jobs as a consequence. In Canada, government estimates forecast a permanent increase in real income of 2.5 percent and a net increase of 120,000 new jobs by 1993.

The nations of the world are irrevocably interdependent. A sustained attempt to reverse the thrust of the last half century and re-build the tariff walls of the early 20th century would destroy markets and create economic chaos. The Canada-United States Free Trade Agreement charts a new course for the two partners in the most important bilateral trading relationship in the world, and it sends out a powerful signal against protectionism and for trade liberalization.

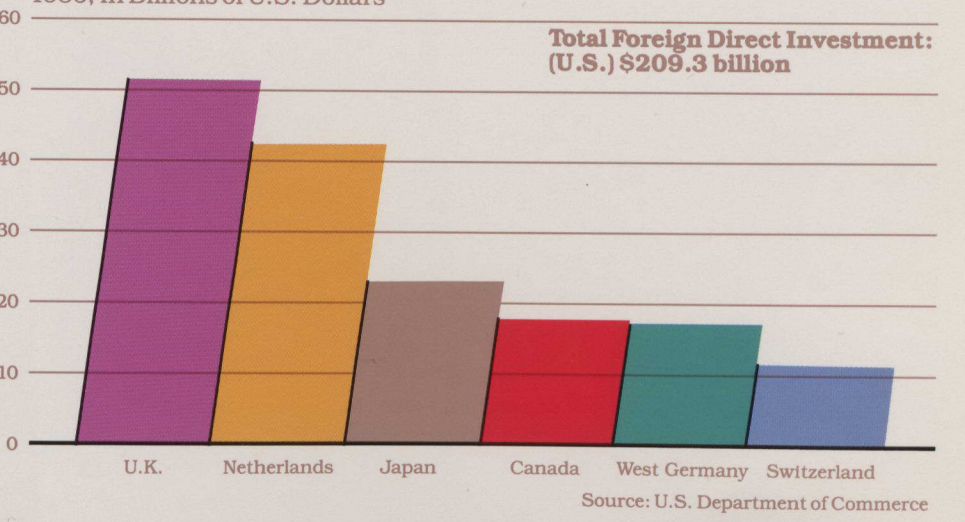
Investment

The U.S. is the largest single source of direct foreign investment in Canada, with 73 percent of the total in 1986. Canada is the fourth largest source of foreign direct investment in the U.S., with almost 9 percent of the total stock.

STOCK OF FOREIGN DIRECT INVESTMENT IN CANADA



FOREIGN DIRECT INVESTMENT POSITION IN THE U.S.



THE AUTO PACT

The Auto Pact, signed in 1965, provides for duty-free trade in cars, trucks, buses and original equipment parts. It has led to the almost total integration of the North American auto industry, enabled American manufacturers to maximize efficiency of operations in the two countries, and provided employment security to auto workers. Two-way trade covered by the Auto Pact has grown from (U.S.) \$2 billion in 1966 to \$41.9 billion in 1987. The Free Trade Agreement builds upon the Auto Pact and provides for a special blue-ribbon panel to consider the future of the North American automotive industry.