Free Trade

Unique Opportunities for International Investors

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

"This company's manufacturing has been integrated since 1972. We are now moving towards our vision of North American manufacturing mandates. The free trade agreement has facilitated this process."

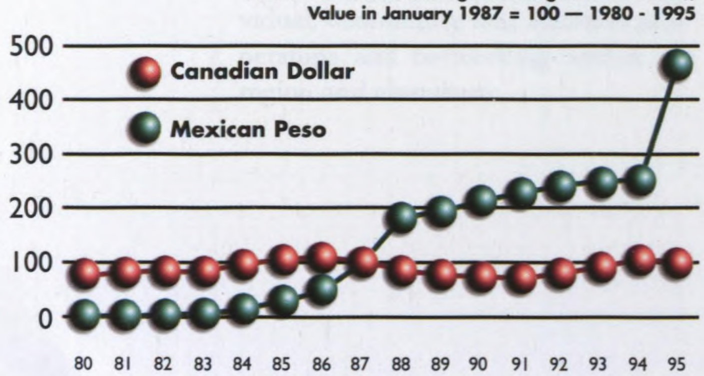
Tony Marranea, Vice-President, Human Resources and Administrative Services,
3M Canada

The FTA was built on a long history of economic cooperation between Canada and the United States. As a result of the Canada-U.S. Auto Pact signed in 1965, the major American automobile companies have for many years operated cost-effective Canadian plants as a production base for 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 were shipped to the United States duty-free.

The FTA offered a number of important improvements on Canada's open trading arrangements with the United States. Canada gained unique access to an impartial trade dispute resolution procedure that has already been applied to eliminate trade barriers on a number of Canadian-made products, more expediently than through the World Trade Organization (WTO) Agreement. Canada is also exceptionally exempt from U.S. tariffs imposed under the WTO Agreement 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. In fact, Canada is the leading exporter to the United States, as well as that country's primary trading partner.

Canada's Stable Dollar

Indexes of annual average exchange rates vs. US \$; Value in January 1987 = 100 — 1980 - 1995



Source: *Bank of Canada Review*, February 1996.