

CANADA - UNITED STATES

Free Trade Agreement

Canada and the United States share the world's largest two-way energy trade. In 1987 it totalled over (U.S.)\$10 billion.

The United States takes 80 percent of Canada's energy exports—chiefly oil, gas and electricity—and supplies 30 percent of its imports.

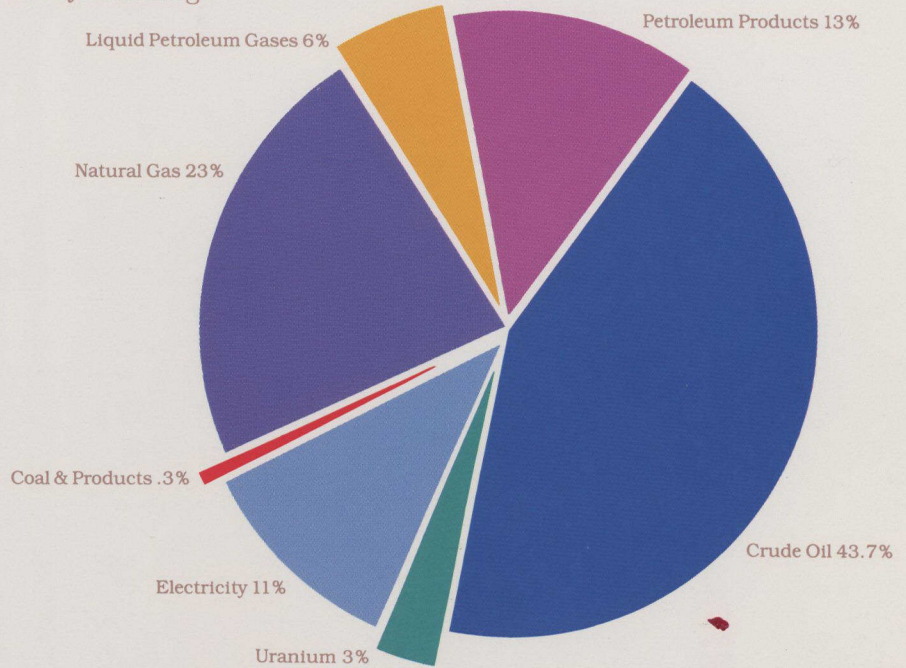
The Free Trade Agreement will have an important long-range impact on U.S.-Canada energy trade. Greater security and lower costs will encourage investment, foster economic growth and international competitiveness and provide stable prices and supplies to industries and consumers in both countries.

The Agreement

The Free Trade Agreement will, with very limited exceptions, drop virtually all remaining restrictions on energy shipments, such as quotas, export or import taxes, and minimum import or export price requirements, and will preclude the imposition of new restrictions.

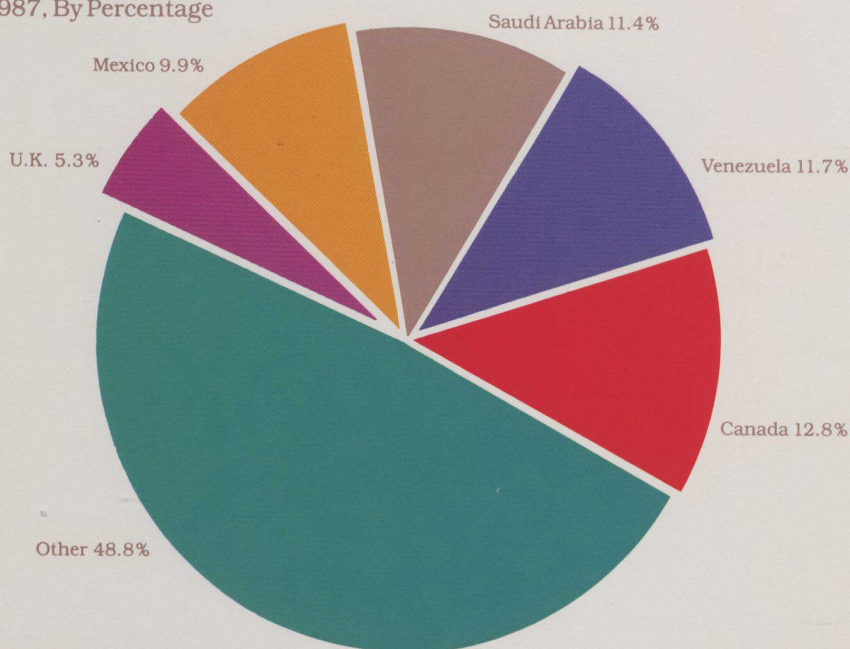
The exceptions involve national security or short supply. The first is limited to

U.S. ENERGY IMPORTS FROM CANADA 1987, By Percentage



Source: Department of Energy, Mines and Resources Canada

U.S. IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS 1987, By Percentage



**Total U.S. imports:
6.5 million barrels per day**

Source: U.S. Department of Energy

Energy

cases concerning nuclear non-proliferation or military threats. The second covers short-supply situations, so that if Canada in future decides to implement measures to limit the consumption of oil, it can reduce exports to the United States proportional to the total supply of oil available in Canada. Both countries will revise technical rules and regulations as much as possible to eliminate trade distortions. The two countries will consult each other on proposed energy regulations which might distort trade.

Oil

Canada is the United States' largest foreign source of petroleum, shipping roughly 800,000 barrels a day in 1987, some 13 percent of U.S. imports. This trade has already been largely deregulated. Under the agreement, the open border for oil trade will be extended to allow Canada the option of purchasing a limited amount of Alaskan North Slope oil—up to 50,000 barrels a day—which must be transported in U.S. tankers. Free trade in petroleum will benefit producers and consumers in both