

In the second of our continuing series of features highlighting trade issues, we are pleased to present two articles reprinted from the Government of Canada publication *CanadExport*.

# THE CANADA-USA FREE TRADE AGREEMENT ONE YEAR LATER

■ "The implementation of the Free Trade Agreement (FTA) is proceeding in an orderly fashion."

That's how Minister for International Trade John C. Crosbie outlined last month the Government's view on the first year of the FTA.

The Minister's assessment:

- legislation, regulations, processes and institutions are all in place;
- tariff cuts have been made on schedule;
- provisions for temporary entry of business visitors have been expanded;
- technical working groups are up and running; and
- preparations are being made for negotiations on subsidies and trade remedies which will build on current multilateral discussions.

Although isolated trade disputes continued between Canada and the U.S. in 1989, the new dispute settlement process now ensures these disputes are settled in a timely and effective manner.

"While these disputes get a lot of publicity, they only account for about one per cent of our total \$200 billion worth of bilateral trade," Crosbie said.

He also expressed satisfaction with the 1989 agreement to accelerate the elimination of tariffs on 400 items covering approximately \$6 billion worth of bilateral trade.

Crosbie noted the enthusiastic response of small and medium-size firms to the Government's expanded U.S. market development program, with more than 10,000 firms expected to

participate during the 1989-90 fiscal year. He urged other potential Canadian exporters to take advantage of these programs.

Citing recent figures, Crosbie said that the Canadian economy is adjusting well to the many forces of change, including the FTA:

- 193,000 new jobs were created for Canadians in 1989;
- investment in non-residential construction, machinery and equipment is up 12 per cent for the first three quarters of 1989 over the same period in 1988; and,
- Canada's balance of trade for November was back in the black, with a surplus of \$679 million.

He admitted that these figures are not directly attributable to the FTA — obviously there are many other factors at work when business people make decisions.

But they are indications that the federal government's strategy to improve Canadian economic competitiveness — the FTA being one of its cornerstones — is going in the right direction.

Other aspects of this strategy include:

- Canada's participation in the Uruguay Round of Multilateral Trade Negotiations — its aim is to reduce the barriers to international trade; and,
- domestically, measures such as deregulation, privatization and reduction of inter-provincial trade barriers, and improving the climate for foreign investment.

This strategy is supported by the

Organization for Economic Cooperation and Development (OECD). Quoting the OECD's 1989 review of the Canadian economy, Crosbie pointed out that "Output growth in Canada has continued over the last 18 months at a rate second only to Japan among the major OECD economies, while employment growth was the most rapid of any of these countries."

In summary, one year into the the FTA, it is evident that:

- the policy rationale for the deal remains sound;
- implementation is going on track;
- it is too early to make a definitive judgement of the economic impact;
- the economy is adjusting well to the many forces of change, including trade liberalization;
- business and government are making effective use of the trade dispute settlement process;
- the tariff acceleration process is a notable success; and
- Canadian business is showing keen interest in developing U.S. market opportunities.

The Minister also released two studies, one by an independent consulting firm, Informetrica, which concludes that it is too early to make a definitive assessment of the economic impact of the FTA.

The second study is a detailed chapter-by-chapter report, entitled **Canada-United States Free Trade Agreement: Implementation**. For copies of this EAITC study, contact Info Export, Ottawa, Ontario, Canada K1A 0G2.

## FREE TRADE AGREEMENT

### PRIMARY AND GOODS-PRODUCING INDUSTRIES

For the key primary industries — agriculture, mining, fishing and logging — the main effects of the Free Trade Agreement (FTA) derive from more secure access to the U.S. Market and liberalized investment rules.

For agriculture, Canada's supply management programs remain in place under the FTA, although there is pressure for wide-spread reform of agricultural policies centred in the multilateral General Agreement on Tariffs and Trade (GATT) talks.

In mining, most bilateral trade was duty-free prior to the FTA, but the sector now faces more favourable supply channels to the United States.

Primary fishing and logging activities are unaffected by the general provisions in the FTA, although the prospects for downstream processing segments have been enhanced.

Some bilateral disputes, such as the West Coast salmon and herring issue have been referred to the Canada-U.S. Trade Commission for resolution instead of to the GATT.

In the manufacturing sector, in-