

Executive Summary

The Canada-U.S. Free Trade Agreement will be of significant economic benefit to Canada. It establishes a new trading relationship based on more secure and more open access to each other's markets. This will bring benefits to many sectors of the Canadian economy.

Canada's minerals and metals industry, which is heavily export oriented and already enjoys a high degree of bilateral free trade, stands to gain from the Agreement. Some benefits will be immediate, whereas others will be realized in the 1990s when the effects of trade liberalization permeate the entire economy. Achieving greater balance in world mineral and metal markets will also help in realizing the full benefits of liberalized trade.

The following are the principal impacts of the Agreement for this sector:

- more secure access to U.S. markets as a result of the dispute settlement mechanism;
- additional further processing prior to export of minerals and metals at their primary stages as tariff escalation is eliminated;
- greater plant and product specialization with minor adjustment as Canadian and U.S. tariffs are eliminated and North American mineral and metal producers continue a rationalization process undertaken during the past five years;
- creation of new market opportunities for many products as medium to higher level U.S. tariffs are eliminated and for specialized services related to mineral exploration and production;

- improved industry profitability when relatively low U.S. tariffs are eliminated;
- creation of a more internationally competitive industry in Canada as the elimination of tariffs on certain inputs will lead to a decrease in investment and production costs.

The Agreement will not alter the ability of Canadians to manage their mineral resources. The responsibility for determining the pace and conditions of mineral exploration, development and exploitation remains with the provinces. Undertakings and obligations with respect to investment are not expected to alter the pattern of domestic and foreign ownership of Canada's minerals and metals industry.