

Most of that trade goes on without incident. Every day, thousands of truckloads, trainloads and planeloads of goods cross the border, quietly, efficiently and without hassle. But sometimes things do not go smoothly. And that is when we need good rules, rules to level the playing field. The last six months have put that precept to the test, and proved its value.

We are very vulnerable when the Americans are in a fractious mood fuelled by a recession and an election. The amount of trade that is affected by the various disputes between Canada and the United States may represent only a small percentage of the total, but it sends shivers up and down our spines nonetheless. Even one per cent is too much.

The solution, however, does not lie in tit-for-tat trade campaigns where the result is little more than shooting yourself in the foot. The solution lies in the effective functioning of international trade rules. We know that and the United States knows that. In fact, U.S. officials are the first to admit that they need good rules more than anyone else because their particular system is so vulnerable to the seductive call of special interests.

Has the FTA met this challenge? I believe it has. We have not always avoided disputes. But we are resolving them. The FTA has given us the tools to strike back, to tell the Americans when they are out of line. No other trading partner of the U.S., in the world, has these tools at its disposal.

Last week, for example, we received the welcome news that a panel constituted under Chapter 18 of the FTA had unanimously upheld our case. We had contended that the FTA rules of origin consider any kind of interest charges on debt incurred on acquiring plant and equipment in Canada or the United States to be part of the cost of production. Such costs, therefore, constitute an eligible expense for the purpose of calculating FTA content. The panel agreed. That marked a significant vindication for the GM-CAMI plant in Ingersoll, Ontario. We expect the U.S. to abide by that panel's recommendations, and note that it may have positive implications for the Honda case.

Even more importantly, the decision tells all other businesses that they can pursue a North American marketing and production strategy that makes sense.

In a similar case last year, a Chapter 19 panel ruled that pork producers in Canada were not receiving injurious subsidies and should not be penalized by countervailing duties. Duties worth \$20 million were returned and trade