As the midnight deadline approached, International Trade Minister Pat Carney was optimistic that a deal could be reached. US Trade Representative Clayton Yeutter told reporters that there was a lot of ground left to cover even with the concessions made by Mr. Baker, which revitalized the talks. The *Toronto Star* reported that he had indicated that the major American concerns included access to the Canadian cultural sectors; the phase-out of tariffs and the increased protection of US patents and trademarks in Canada; duty-free entry into Canada of foreign carmaker auto parts; free trade in energy; reduced barriers to US sales of telecommunications; lower agricultural subsidies and improved entry into Canada for US beer, wine and liquor. US officials also indicated that on the question of the trade tribunal's authority, it would start after disputes had gone through procedures currently in place, and it would only consider a case if an earlier ruling was inconsistent with the laws of the nation where the action was filed, a provision Canada was opposed to (*Toronto Star*, October 4).

Negotiations continued well into the night to solve these disputes and at five minutes before the Congressional deadline of midnight, President Ronald Reagan telephoned Capitol Hill to report that a deal had been struck. After sixteen months of negotiations, the "historic" draft free trade agreement became fact. "It runs absolutely counter to a pernicious climate of protectionism which debilitates and destroys the economic growth of a country", Prime Minister Brian Mulroney told reporters after briefing his cabinet. "It is very much along the broad sweep of history that will lead Canada to a more prosperous future" (*Ottawa Citizen*, October 5). On October 5, Mr. Mulroney declared in the House of Commons: "This is a good deal, good for Canada and good for all Canadians....This deal is going to give us greater access to the biggest, richest, most dynamic market in the world. The result will be an increase in productivity, research and development, a significant improvement in our competitive position and enhanced product quality. The result will be lasting jobs and sustained prosperity" (*Hansard*, October 5).

On October 4, both sides issued their versions of the agreement, which were noted to contain discrepancies. Following are some of the key elements in the new trade deal, as gleaned from documents and press reports:

- The creation of a continental energy market. Canada received assured market access to the United States in return for giving the US a secure energy supply in periods of shortage. Canada could still proceed toward its objective of 51 percent Canadian ownership of the energy industry. In addition, Canada would be granted access to oil from Alaska's North Slope now designated for US use only.
- The establishment of a new bilateral panel to settle trade disputes. The tribunal would act after trade complaints on subsidies, anti-dumping and import surcharges decided in each country under their domestic trade laws.
- A commitment to write new trade rules over five years with a possible 3-year extension. The trade tribunal would operate under these new rules.
- each government has agreed not to launch countervailing duties or other trade complaints against the other country's exports. However, Canada would still be vulnerable to countervailing actions brought by US industries.
- Canada would benefit from an exemption from the retroactive application of the highly protectionist omnibus trade bill being considered in Congress.
- Canada's regional development subsidies remain protected, but could be affected when the new rules are written.
- Canada would be limited in its ability to screen foreign investment, with the phasing out of scrutiny of indirect takeovers. A higher minimum dollar value for screening direct takeovers would be phased in, with the threshold rising to $150 million over four years.
- A phased elimination of all tariffs between the two countries. The phase-in would either be immediate or over five years on industries that both sides agreed upon.
- An end to all tariffs on agricultural products and the elimination of grain transportation subsidies between the two countries.
- Greater access to the Canadian market for the US wine industry but no changes to regulations on beer.
- No fundamental changes to the Canada-US Auto Pact. However, Canada's export-oriented, duty-remission incentives to the auto industry would end immediately. A new 50 percent North American rule of origin would be introduced for auto parts and materials to stimulate the Canadian and US industries.
- A new code to govern trade in services, including telecommunications, would be based on the principle of national treatment. Each country's service industries would be treated as if they were domestic firms. Transportation was not included in this agreement.
- Probable changes in the financial services sector would mean changes for Canadian rules that no individual shareholder of a bank with a capital base of more than $750 million could hold more than 10 percent of common shares, thus limiting the size of wholly owned subsidiaries of US banks operating in Canada.
- A limited agreement on government procurement at the federal level to enable firms in each country to compete for federal government contracts in the other country, excluding defence and military purchases.
- Canada would apparently have agreed to drop a new film distribution policy and there would also be changes in the ability of cable companies to substitute Canadian advertisements for US ads in US programs carried by Canadian cable companies. The agreement did not deal with intellectual property issues.

The next move was for each side to produce almost immediately a legal draft of the agreement which had to be ready for formal signing on January 2, 1988. Both administrations also faced the task of selling the