

1989. The FTA has changed not only international investors' views of Canada, but also those of Canadian investors.

Canadian firms are showing they are confident they can compete in the U.S. -- at their request, two rounds of accelerated tariff reductions have been negotiated. The first round came into effect in 1990 and covered 400 items, or \$6 billion in two-way trade. The second round came into effect in July of this year, covering an additional 250 items and another \$2 billion in trade.

The requests for tariff acceleration reflect confidence not just in our competitiveness but also in the FTA dispute resolution mechanism. Over 95 per cent of Canada-U.S. trade is dispute free, a remarkable fact given that this is the largest two-way trading relationship in the world. Canada, like other nations, faces some very real protectionist threats in the U.S. Unlike other countries, Canada is shielded from most protectionist actions by the FTA.

When trouble does flare up, the FTA helps to localize and then eliminate disturbances. For example, the FTA process made resolution of the pork dispute possible, while it would not have been in an earlier era. Indeed, Canada's confidence in the process underlies our quite justified decision to abolish the impediments to competitive exports of softwood lumber.

There is a long history to lumber trade problems between Canada and the United States. In 1986, the Memorandum of Understanding (MOU) got both countries out of an emotionally charged dispute. It has now served its purpose and we believe that the rules governing lumber trade should be the same as rules governing all other trade.

The MOU was never intended to be permanent. It was intended to give our provinces time to make adjustments to offset the export tax. That is precisely what the majority of them have done.

Last Friday, the U.S. government informed us of their intention to launch a countervailing duty investigation of softwood products from Canada. The results of this investigation will be subject to the binding binational panel review under the FTA. In 1986, when the MOU was signed, Canada did not have this review mechanism available to it.

The United States Government has also indicated that it will require posting of a customs bond for exports of Canadian softwood lumber, pending the outcome of this investigation.

Such bonds will not affect exports of softwood lumber produced in Atlantic Canada and British Columbia. In other provinces, the level of bond will vary according to the level of tax previously collected. We believe that this bonding requirement runs counter