

# CHAPTER 5 CANADA'S INTERNATIONAL RELATIONSHIPS

## Highlights

- Canada enters negotiations on North American free trade.
- Nelson Mandela, Vice-President of the African National Congress addresses House of Commons.
- Canada's trade with Hong Kong reaches \$1.7 billion.
- Declaration on EC-Canada relations is completed.
- Creation of Task Force on Central and Eastern Europe.
- Canada supports UN actions in Gulf crisis.



Photo: National Defence

Ambassador Dickinson is issued a gas mask by Warrant Officer Bob Kettler. Kuwait City

## THE UNITED STATES

Canada and the United States are partners in the largest bilateral trading relationship in the world; allies in the defence of North America and Europe; and stewards of the continental environment.

During the past five years, Canada's relations with the United States have focused on three key areas: trade and economics, defence, and the environment. Fisheries relations, scientific cooperation, energy exchanges, drug enforcement and Arctic cooperation have also shared a high profile.

Canada and the United States are each other's most important customer. Total two-way merchandise trade in 1990 was \$203.2 billion. In 1990, Canada exported goods worth \$110.3 billion to the United States and imported U.S. goods worth \$92.9 billion, giving Canada a surplus on goods transactions of \$17.4 billion. Overall, the U.S. absorbs 76 percent of Canadian exports and provides 69 percent of Canadian imports.

Total two-way non-merchandise trade, including tourism, services, investment income and transfers amounted to \$53.9 billion.

The United States is Canada's largest foreign investor. It accounts for US\$68 billion or almost 70 percent of the stock of foreign direct investment in Canada. With direct investment of US\$32 billion in the United States, Canada ranks as the fourth

largest foreign investor (8 percent), after the United Kingdom, Japan, and the Netherlands.

The Free Trade Agreement (FTA) has now been in effect for over two years. Implementation is proceeding as part of a 10-year phase-in that will eventually achieve the elimination of all bilateral tariffs and most other border restrictions. This assists continued competitive growth in the Canadian and United States economies, and encourages the steady development of the bilateral trading relationship in a mutually profitable manner.

The Accelerated Tariff Elimination Agreement allows for the early elimination of duties on more than 400 tariff items covering approximately \$6 billion in bilateral trade. In March 1991, the Canada-United States Trade Commission accepted the results of the second round of accelerated tariff elimination consultations, affecting over 250 tariff items and more than 400 specific products. The Agreement is subject to final approval by both governments.

In February 1991, Prime Minister Brian Mulroney, President George Bush and President Carlos Salinas announced that Canada, the United States and Mexico had agreed to pursue negotiations aimed at the creation of a North American Free Trade Agreement.