

relationship in the world. Many Americans -- and Canadians alike -- are still surprised by the magnitude of this relationship.

Moreover, it is a relationship that is balanced. Canada enjoys a merchandise trade surplus with the United States while the United States has a positive current account balance with Canada, thanks largely to Canada's trade deficits in tourism and business services.

The Free Trade Agreement has not made the Canada-U.S. trade story an entirely harmonious one. There continue to be frictions, as you might expect in the world's largest trade relationship. We have serious problems now in steel, beer and softwood lumber.

But thanks to the FTA, we are in the enviable position of being able to address our differences through what has proven to be a transparent, fair and equitable dispute settlement mechanism. And this mechanism has been strengthened in the NAFTA.

During the months of negotiating the NAFTA, we learned a lot about free trade and fair trade. Too often, what constitutes fair trade remains in the eye of the beholder. Restrictive trade barriers exist in both our countries. We need to reduce and eliminate those barriers. You have the Buy America Act and the Small Business Set Aside. We have interprovincial trade barriers. But I am happy to report that the Government of Canada is taking part in comprehensive discussions with the provinces to eliminate those barriers and allow greater competition, through a sort of internal NAFTA, if you will.

Canada is committed to the NAFTA. Our Parliament is well advanced in its consideration of legislation to implement the agreement, and it is our government's intention to have the required legislation in place before summer.

We have before us the prospect of concluding side agreements, which would result in unprecedented co-operation in the fields of labour and environment. These agreements would be beneficial for each country and would be good for North America generally. We do not want to lose this opportunity.

The negotiations on side agreements are a chance to make real gains for the environment and for our workers. But the agreements have to work. We have to get them right.

That is why Canada firmly believes that these negotiations ought not to jeopardize, in any way, the benefits to be gained from creating an integrated market of 360 million consumers in North America.

The NAFTA brings down trade barriers among our three countries. Now we must be careful not to erect any new barriers to trade in