

What are the realities we face? Let's take a quick look at some of them.

The most obvious one is the critical importance of securing our access to the American market. Nearly 40% of Canadian manufactured goods are exported directly to the United States. Few industries in Canada are not in some way reliant on the US market. Barriers to that market, or even the threat of barriers, could have devastating impact on Canada's economy.

The question then is whether we should, in these circumstances, be looking for special trade arrangements with the United States. If so, what kind should we be looking for? And what would be the advantages and disadvantages of such arrangements?

In attempting to reduce the barriers, we start from a reasonable base. By 1987, when the tariff cuts agreed to in the last multilateral round of GATT negotiations are fully in effect, some 80% of current Canadian exports to the United States will be tariff free. There are, however, still a number of sectors where Canadians could be competitive but where US import barriers remain high. Petrochemicals are an example, with US tariffs of 15%. Even low duty rates can be effective barriers, for example, in upgrading resource exports to more processed forms.

And trade is not barred by tariffs alone. We must also contend with a variety of non-tariff barriers. Many US government agencies, for example, are subject to "Buy America" provisions which may prevent you from selling to them or may cause Canadian exporters to locate in the US. Other impediments include local content requirements, reciprocity arrangements and a variety of measures which are aimed at other countries but have the effect of sideswiping us.

Protectionism in the U.S. is an ongoing -- and compelling -- challenge. In the past couple of years, several important Canadian exports have been the subject of investigations under American trade remedy provisions. These include softwood lumber, copper and both carbon and specialty steels -- and, of direct interest to Atlantic Canada, potatoes and salt cod.

There is an urgent need to minimize the exposure of Canadian exports to protectionist measures in the U.S. As you all know, Canada is the only major industrialized country in