

I am pleased to announce that Canada has decided to participate in discussions with Mexico and the United States to establish the basis for subsequent negotiations on a free trade arrangement among Canada, the United States and Mexico. We will be examining the scope, elements and procedures that will form the basis for subsequent negotiations leading to trilateral free trade.

After conducting preliminary consultations and studies over the summer, we have determined that Canada should participate in trilateral discussions to create a North American free trade market.

As a result of a Mexican initiative earlier this year, Mexico and the United States announced their agreement in principle to negotiate a comprehensive free trade agreement last June.

As you know, the Mexican trade initiative is proceeding sooner than initially anticipated and it therefore became necessary to inform Mexico and the United States of our intention to participate in these talks now.

In recent discussions with Mexico and the United States we have all agreed that Canada should participate in consultations designed to establish the basis for subsequent negotiations on a free trade arrangement linking Canada, the United States and Mexico.

Prime Minister Mulroney has written letters to President Salinas and President Bush stating Canada's interest in participating in negotiations with Mexico and the United States on a North American free trade agreement which would benefit all three countries.

I am confident that preliminary discussions over the next several months will be productive and demonstrate that a mutually advantageous agreement can be concluded. We do not expect formal negotiations to begin until sometime next year.

During the last several months, we have conducted preliminary consultations and studies, and have listened carefully to the views of the provinces, business, labour as well as distinguished academics and journalists.

The question of our participation in these talks has been extensively debated and written about in Canada since the prospect of a bilateral United States-Mexico free trade agreement first emerged last spring. Almost all serious analysis argues strongly for Canada's participation. For example, the C.D. Howe Institute recently studied this issue and concluded that: