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**BRITISH COLUMBIA
Overview**

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Although mostly a primary resource exporter, British Columbia is diversifying its economy in manufacturing, traded services and new technology. Diversification depends in large part upon access to the U.S. market and B.C.'s ability to attract new investment.

The Free Trade Agreement, signed by Prime Minister Mulroney on January 2, 1988, will enhance new trading opportunities while providing predictability and certainty in its trading relationship with the United States.

British Columbia will be a key beneficiary of the free trade agreement. The Economic Council of Canada has estimated that output in B.C. should increase by 3.6% against a national average gain of 3.3%

British Columbia is a major exporter not only to the U.S. but also to the rest of the world. In 1986, its exports totaled \$13.5 billion, of which \$6.3 billion or 51% went to the U.S. buyers. B.C.'s labour force relies heavily on export trade to the U.S. for jobs. After being in the front lines of trade disputes notably over shakes and shingles and softwood lumber products, the province knows the price of increasing U.S. protectionism. Past problems have resulted from non-tariff barriers such as countervailing duties, quotas and safeguards and technical regulations.

The unique disputes settlement mechanism of the Canada-U.S. trade agreement will allow British Columbia exporters to compete in the U.S. market on an equal footing. Exporters will know what the rules are and be confident that they will have a voice in how they will be applied.

For British Columbians, it will mean that their forest products which account for 45% of exports will now have more secure access to the United States. The experience on softwood lumber was a very costly reminder of the increasing threat of U.S. protectionism. The agreement will not prevent future cases from arising, but it will affect how future cases will be decided. The presence of an impartial binational panel on which Canada has equal representation will provide insurance against arbitrary decisions and will keep the system free of political influence. The existence of such a mechanism when the softwood lumber case was launched would likely have made the outcome very different.

In addition, the dispute settlement mechanism will have a "watchdog" effect that will discourage the filing of

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