

# News Release

Minister for  
International  
Trade



# Communiqué

Ministre du  
Commerce  
extérieur

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## INTERNATIONAL TRADE MINISTER CROSBIE COMMENTS ON THE FREE TRADE AGREEMENT

International Trade Minister John C. Crosbie today outlined the Government's view on the first year of the Free Trade Agreement and released two reports.

In releasing a detailed chapter-by-chapter report on the implementation process, Mr. Crosbie stated that implementation of the Agreement is proceeding in an orderly fashion.

"The legislation, regulations, processes and institutions are now all in place; tariff cuts have been made on schedule; we have expanded the provisions for temporary entry of business visitors; the technical working groups are up and running; and we are preparing for negotiations on subsidies and trade remedies which will build on current multilateral discussions."

The Minister noted that isolated trade disputes continued between Canada and the U.S. in 1989, but the new dispute settlement process now ensures these disputes are settled in a timely and effective manner. "While these disputes get a lot of publicity, they only account for about one per cent of our total \$200-billion worth of bilateral trade," Mr. Crosbie said.

He also expressed satisfaction with the 1989 agreement to accelerate the elimination of tariffs on 400 items covering approximately \$6 billion worth of bilateral trade.

Mr. Crosbie noted the enthusiastic response of small and medium-sized firms to the Government's expanded U.S. market development program, with more than 10,000 firms expected to participate during the 1989-90 fiscal year. He urged other potential Canadian exporters to take advantage of these programs.

The Minister also released a study by the consulting firm, Informetrica. He concurred with the independent consultant's conclusion that it is too early to make a definitive assessment of the economic impact of the agreement.

Mr. Crosbie stated the Canadian economy is adjusting well to the many forces of change, including the Free Trade Agreement.

"Recently received figures for job creation in the past year indicate that 193,000 new jobs were created for Canadians in 1989. We don't have annual figures for investment yet, but investment in non-residential construction, machinery and equipment is up 12 per cent for the first three quarters of 1989 over the same period last year. And, as Statistics Canada announced on Wednesday, Canada's balance of trade for November was back in the black, with a surplus of \$679 million.

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"These facts and figures are not directly attributable to the Free Trade Agreement -- obviously there are many other factors at work when business people make decisions -- but they are indications that the federal government's economic competitiveness strategy is going in the right direction."

The Minister reiterated the Government's view that "the FTA is a cornerstone in the federal government's strategy to improve Canadian competitiveness."

Other aspects of this strategy include: Canada's participation in the Uruguay Round of Multilateral Trade Negotiations, which aims to reduce the barriers to international trade; and, domestically, measures such as deregulation, privatisation and reduction of inter-provincial trade barriers, improving the climate for foreign investment, increased funds for training and self-help programs, the fight against inflation, the effort to reduce the size of the federal deficit, and tax reform.

"All of these initiatives have been designed with a view to enhancing Canada's overall productivity and competitiveness," said Mr. Crosbie.

"The Government believes that its strategy is the right one. This view is shared by the Organization for Economic Co-operation and Development. In its 1989 review of the Canadian economy, the OECD pointed out that: 'Output growth in Canada has continued over the last 18 months at a rate second only to Japan among the major OECD economies, while employment growth was the most rapid of any of these countries'."

In summary, Mr. Crosbie remarked that one year into the operation of the FTA, it is evident that:

- The policy rationale for the deal remains sound.
- Implementation is proceeding on track.
- It is too early to make a definitive judgement of the economic impact.
- The economy is adjusting well to the many forces of change, including trade liberalization.
- Business and government are making effective use of the trade dispute settlement process.
- The tariff acceleration process is a notable success, and
- Canadian business is showing keen interest in developing U.S. market opportunities.

For more information, media may contact:

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## **BACKGROUND**

### **The Free Trade Agreement: Implementation**

**\* The Canadian economy performed strongly during the first year of FTA implementation.**

- Canada is second only to Japan in overall economic performance among OECD countries and has had the fastest rate of new job creation among all the OECD countries for the past 18 months. Net job creation for 1989 was up by 193,000 jobs (seasonally adjusted).
- The recent December 1989 OECD economic survey on Canada lauds Canada's impressive output growth and employment creation in 1989.
- Business investment in non-residential construction, machinery and equipment for the first three quarters of 1989 was up 12 per cent over the same period in 1988.
- Preliminary trade figures for 1989 show a 2.6 per cent growth in Canadian exports to the U.S. and a 6.4 per cent increase in U.S. exports to Canada. Significantly, a large portion of imports are machinery and equipment being purchased by Canadian industry to modernize production to meet the challenge of global competition.

**\* The implementation of the FTA is on track.**

- All regulations required by both Canada and the U.S. to implement the FTA are now in place.
- The first and second rounds of tariff cuts have been completed.
- In response to requests from the business community, tariff elimination has also been accelerated on 400 items covering approximately \$3 billion in Canadian exports to the United States and approximately the same amount of imports from the United States.
- The FTA provisions for temporary entry for business persons have been expanded and refined. These changes will allow Canadian business travellers easier access to the U.S.
- The private sector Automotive Select Panel has been established and is working towards solutions for the North American auto industry to enable it to compete more effectively in a rapidly changing global economy.

- Binational working groups in the areas of agricultural and fishery products, customs matters, tourism and services are working toward the further elimination of trade barriers and enhanced trade. Future consideration will also be given to other matters, such as government procurement, in an effort to expand trade.
- A bilateral working group has been established under Chapter 19 of the Agreement to deal with the subsidies and trade remedies issues which were not resolved during the FTA negotiations. With a five to seven year mandate, this working group will seek to negotiate a substitute system of rules to deal with countervail and anti-dumping cases and to develop more effective rules and disciplines concerning the use of government subsidies.

**\* Canadian industry and government are making effective use of the FTA trade dispute settlement mechanisms and are vigorously exercising Canada's FTA rights. These new mechanisms will help ensure that existing trade laws are administered fairly and on the basis of facts, rather than on the basis of special interest group pressures.**

- Almost 99% of the projected \$200 billion of Canada-U.S. trade in 1989 was dispute free.
- The FTA gives both countries a dispute settlement system (Chapter 18) and procedures for impartial binational review of administrative decisions in the area of anti-dumping and countervail duties (Chapter 19). Twelve challenges have been requested in 1989 under the Chapter 19 review mechanism. All but one of these were initiated by Canadian exporters.
- The first Chapter 19 (anti-dumping and countervail) binational panel decision was released December 14 on the red raspberries dumping case involving B.C. exporters. The unanimous panel decision found that the U.S. Department of Commerce's margin of dumping findings were defective against two of the three B.C. exporters named in the administrative review and remanded the case to DOC for further substantiation. The other eleven cases are in various stages of resolution.
- Two Chapter 18 panels have been requested. The first involved West Coast salmon and herring. Canada announced on November 6, 1989, that it would adopt the panel report on West Coast salmon and roe herring. The Federal Government, in consultation with the industry and the B.C. Government, is working out details of implementation with the U.S. It is expected that the panel for the second case, relating to U.S. restrictions on Canadian East Coast lobster, will release its report in mid-May, 1990.

- Bilateral consultations have been held under Chapter 18 on cable retransmission rights (both U.S. and Canadian requests), fruit and vegetable labelling (U.S. request), lobsters (Canadian request), plywood (Canadian request), wines and spirits (U.S. request), and woollen textiles (Canadian request).

**\* The Government has enhanced its trade development programs in the U.S. and Canadian business is taking advantage of new bilateral trade opportunities.**

- The Department of External Affairs and International Trade expects more than 10,000 small and medium-sized Canadian firms to participate in trade promotion programs in the U.S. during the 89/90 fiscal year.
- Trade promotion activity by Canadian exporters in the U.S. is being boosted by the opening of five new trade satellite offices (San Diego, Denver, Princeton, Miami, San Juan).
- A record 400 promotional events in the United States are being launched in the U.S. this fiscal year.
- New Canadian exporters have participated in 35 New Exporters to Border States Program (NEBS) missions this fiscal year and 10 more are being planned. Every region of the country has an active NEBS program.
- Eighteen NEXUS (New Exporters to U.S. South) missions have been completed since April 1 and four more are scheduled. A high ratio of success has been recorded in the initial NEXUS events.

**\* It is too early to generate a definitive analysis of the economic impacts of the Free Trade Agreement. This is confirmed by ongoing interdepartmental monitoring and outside expert opinion.**

- The Government is monitoring developments in the Canadian economy, including the FTA, on an ongoing basis.
- The Informetrica design study on measuring FTA effects commissioned by the Department of External Affairs and International Trade confirms that it is premature to attempt an economic assessment at this early stage.

- The Government is examining the Informetrica study's suggestions as to possible economic indicators and time frames for measuring FTA impacts over the coming years, and the study will serve as a valuable input for planning long-term monitoring needs.
  
- \* The FTA is a cornerstone of the Government's economic competitiveness agenda, and is helping position Canada for the trading opportunities of the 1990's. The second year will continue this process.
  
- The benefits for Canada of an open international trading system are being pursued through the parallel policy initiatives of the FTA and the ongoing Uruguay Round of the Multilateral Trade Negotiations.
  
- In its December 1989 survey of Canada's economic policies, the Organization for Economic Cooperation and Development cited the FTA as a very positive structural policy leading to increased competitiveness.
  
- The U.S. market is a major focus of the Government's multi-year "Going Global" export development strategy in 1990, and a record number of promotional activities are planned.
  
- Work in the second year is continuing on the further elimination of trade barriers in the areas of agricultural and fishery products, customs matters, tourism and services and in the resolution of trade irritants.