
TAB #1
Historical Overview:
Events leading to high level trade discussions between the U.S. and Canada

On January 1, 1989, the United States and Canada implemented the U.S.-Canada Free Trade Agreement (FTA), initiating the phase out over a ten-year period of virtually all tariff and non-tariff barriers to trade in goods between the two countries. The FTA was superseded on January 1, 1994, with the entry into force of the North America Free Trade Agreement (NAFTA), which expanded the free trade area to Mexico. The bilateral phase-out of tariffs between the U.S. and Canada outlined in the FTA and now in the NAFTA was completed on January 1, 1998.

Canada and the United States are each other's foremost export market and investment partner. In 1998, total two-way trade in goods and services was approximately US\$1 billion/C\$1.5 billion per day. While Canada is the second largest market for U.S. agricultural products, the United States is the largest market for Canadian agricultural products. In 1998, U.S. agricultural exports to Canada reached a record US\$7 billion/C\$10.4 billion, up 3 percent/11 percent from 1997. Canadian agriculture exports to the United States reached US\$ 7.7 billion/C\$11.4 billion in 1998, up 5percent/12 percent from 1997.

Since the advent of NAFTA/FTA, the growth in bilateral trade and the removal of tariffs and other border measures have increased the level of scrutiny of factors affecting the competitiveness of each country's agricultural sector. Depressed world prices for agricultural commodities and the resultant drop in farm income served to heighten bilateral trade tensions and sharpen farmers' focus on competitiveness issues in Fall 1998. In this context, growers expressed concern that availability of pesticides was often different in the two countries, potentially disadvantaging one country's agricultural sector against the other's. Moreover, differences in allowable residue levels for pesticide residues for agricultural products fuelled frustrations on both sides of the border. Legislators in the United States took steps to respond to growers' concerns and frustrations.

Senior U.S. and Canadian officials held a series of meetings on agricultural trade issues, including those relating to pesticides. On December 4, 1998, the United States and Canada entered into an agreement ("Record of Understanding" or ROU) that outlined the steps that the two countries agreed to take to move several of those issues towards resolution. With regard to pesticides, the United States and Canada agreed to hold this Meeting on North American Market for Pesticides to foster a dialogue among all interested stakeholders on how to address growers' continuing concerns and minimize agricultural trade irritants resulting from these differences.