

The NAFTA and the FTA

From the beginning, Canada insisted that the NAFTA enhance the FTA and in no way erode the benefits that Canada had already realized as a result of either the GATT or the FTA. In the end, all of Canada's FTA benefits were either protected or improved during the NAFTA negotiations.

The ability of the three governments to transform the Canada-U.S. FTA into a more comprehensive trilateral trade agreement, open to signature by other countries, has obvious implications for the continuing application of the FTA. When negotiating the FTA in 1987, Canada and the United States decided that the combination of overlapping and duplicating rights and obligations in the FTA and the GATT could best be addressed by means of a precedence clause. This clause provided that, in the event of conflict between the FTA and the GATT, the FTA would prevail unless specifically provided otherwise. ✓

The degree of overlap between the FTA and the NAFTA is more extensive and more complicated because much of the language has been adjusted to make it more suitable for accession by other parties. Canada and the United States have agreed to address this overlap by using the same procedure used in 1947, when the multilateral GATT replaced the 1938 Canada-U.S. Reciprocal Trade Agreement.

Canada and the United States have agreed that the NAFTA, with all of its improvements, will supersede the FTA. The NAFTA either incorporates by reference, replaces with trilaterally agreed improvements or makes generic all the FTA obligations between Canada and the United States. As a result, Canada and the United States were able to agree to suspend the FTA as long as they are both parties to the NAFTA. Essentially, the rights and obligations set out in the FTA remain in effect, but in an updated and improved agreement.

Definitions

Gross Domestic Product (GDP) vs. Gross National Product (GNP) — GDP is the measure of the flow of goods and services produced by the economy over a specific time period, normally a year or a quarter. When income from investments and possessions owned abroad minus income earned in the domestic market accruing to foreigners is included, it becomes GNP.

Generalized Preferential Tariff (GPT) (Generalized System of Preferences (GSP) in the United States) — This is a system of non-reciprocal tariff preferences for the benefit of developing countries. It grants the duty-free or preferential entry to imports from eligible developing countries up to a certain dollar value or import percentage limit. It is intended to encourage diversity in developing countries' production and exports.

Most-Favoured-Nation (MFN) Treatment — This is one country's commitment to extend to another country the lowest tariff rates that it applies to any third country. This fundamental principle of non-discriminatory treatment of imports was incorporated into article 1 of the GATT and is one of the foundation stones of the world trading system.