

In the late 1980s, political leaders in both countries believed that a bilateral trade agreement was in their own best interests.³ The turbulent conditions in global agricultural markets and the new GATT negotiations provided additional incentives for improving the environment for trade between the two countries. Compared to agricultural tariffs in other countries, the tariffs of Canada and the United States were not high: U.S. rates averaged 3.3 percent, Canada's 9.9 percent. However, nontariff barriers to trade by both countries, such as quotas and licenses, tended to be more restrictive.

Both countries saw agricultural export potential across the border. But Canada was frustrated by U.S. dumping and countervailing duty laws, as well as non-tariff barriers. Canada was looking for more secure access to U.S. markets based upon clear rules supported by a binding dispute-resolution procedure. The United States wanted improved access to the Canadian market and the elimination of freight rate subsidies to prairie grain.

CFTA/NAFTA: The Agricultural Component

In the final agreement, both countries agreed to reduce agricultural trade barriers and to follow a specified procedure for resolving disputes. For agriculture, however, the CFTA was not in fact a "free trade" agreement. The most sheltered domestic industries in both countries continued to be protected from import competition.

The agricultural provisions of the CFTA are listed in table 1. Key provisions are:⁴

- Eliminate nearly all tariffs within 10 years (by 1/1/1998)
- Temporary tariff protection for fresh fruits and vegetables for up to 20 years
- U.S. liberalize import of certain Canadian products containing sugar
- Canada eliminate import licenses for U.S. grain and their products when the level of support provided by U.S. programs declined to the level in Canada. But either country could impose import restrictions if grain imports increased due to changes in grain policies in the exporting country.
- Each country exempt from the meat import restrictions of the other.
- Neither country to apply direct subsidies to exports to the other.

³For more on the background to the CFTA, see (10).

⁴These are abstracted from (10, pages 42-43).