Introduction

Shortly before noon on Thursday, December 17, 1992, Prime Minister Brian Mulroney sat down in the Parliamentary Reading Room and signed the North American Free Trade Agreement. The same day, President George Bush in Washington and President Carlos Salinas de Gortari in Mexico City put their pens to an agreement that creates free trade among the three nations of North America. While legislative approval must follow, the ceremonies ended a process begun on February 5, 1991, with the decision by the three leaders to create a free trade area. Negotiations formally began in Toronto, on June 12, 1991.

The 14 months of negotiations involved the most comprehensive set of private-sector and federal-provincial consultations undertaken by any Canadian government on a trade agreement. This resulted in an agreement that is significant on several counts:

- For the first time ever, a developing country sat down with two industrialized countries and created an agreement that opens its economy to the challenges and opportunities of the North American marketplace. It sets an important precedent for trade and economic co-operation between the industrialized countries of the North and the developing countries of the South.
- This agreement provides a new set of rules to cover what is fast approaching a $500 billion annual flow in three-way trade and investment. It opens the door to a vast new potential in trade and investment relations among the three countries.
- This agreement extends the benefits of the Canada-U.S. FTA to Mexico. It strengthens and expands that accord to provide an even firmer foundation for trade and investment. It provides a framework of rules within which private-sector entrepreneurs can expand their market and investment activities. It is tailored for the demanding conditions of a large, open economy and will make the three economies more capable of taking on broader competition on a global basis.

Why Canada Participated in the NAFTA

The North American Free Trade Agreement (NAFTA) represents both a response and a challenge to changing international business. Some $3 trillion in goods are now exchanged annually around the globe. The most impressive increases have been in intra-industry trade, while consumers have benefited from increased specialization and choice. Spurred on by improvements in communications and transportation technology, and the resulting advances in business organization and finance, the natural barriers to international trade have diminished significantly.