

---

In September 1986, Canada was a leading participant in launching the Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). The Uruguay Round is important for securing and enhancing the international trading environment. It will focus on halting the introduction of new protectionist measures, promoting policies that will remove barriers to trade in goods and services, and improving market access. As well, these GATT negotiations for the first time will include across-the-board negotiations on agriculture. Canada has also been a major force in the Organization for Economic Cooperation and Development (OECD) and the Economic Summits, pushing for agricultural reforms to deal with the problem of escalating farm subsidies in the European Economic Community (EEC) and elsewhere.

The Free Trade Agreement with the United States is a major building block in the government's strategy to strengthen Canada's competitive position in world markets, and thereby bring new and lasting vitality to the Canadian economy. Canada is now the only major industrial country without secure access to a large, high-income market; the Free Trade Agreement will provide enhanced and more secure access to the huge U.S. marketplace. The Free Trade Agreement will provide greater opportunities for economies of scale in Canadian production and marketing and this will encourage greater productivity and stimulate innovation. In short, the Agreement will lead to a more efficient and lower-cost Canadian economy. A stronger and more productive economy will allow us to better support our social programs and further advance our cultural identity.

Let there be no misunderstanding about our economic options. We are a small economy in a world where protectionist actions and threats are increasing. We cannot look inward, build protectionist walls around our economy, hinder competition and stifle initiative. That route, as most Canadians now recognize, will only create insecurity, foster mediocrity and push us backwards economically. We can continue the process of renewing the Canadian economy only by looking outward, by seeking freer trade and fairer competition and by stimulating the entrepreneurial spirit of Canadians. In this way, we can move Canada confidently into the 21st century.

The status quo is not an option for Canada in an increasingly protectionist world. This Free Trade Agreement reflects the confidence and determination of those who have a forward looking vision for Canada. I believe that Canadians will accept the challenge of free trade and the opportunities it presents for a richer and more confident future. Better economic performance is the challenge for all Canadians. Free trade is a key step along the road to economic renewal, ensuring an economic legacy for our children befitting our richly endowed country.

This assessment deals with the economic impacts of the Canada-United States Free Trade Agreement. It reviews the nature and sources of the gains from freer trade, examines the existing barriers to Canadian-U.S. trade and presents recent empirical evidence on the economic benefits from bilateral trade liberalization.