

CHAPTER 5: *Market Access from Canada — The FTA and NAFTA*



THE IMPLEMENTATION OF THE Canada-U.S. Free Trade Agreement (FTA) in 1989 was followed five years later by the North American Free Trade Agreement (NAFTA). Together, these pivotal arrangements have opened up vast new business opportunities, not only for companies located within one of the three partner countries, but also for foreign firms interested in the huge North American market. As a result, international investors now can access the entire North American market from a Canadian location.

THE NORTH AMERICAN MARKET

The North American market is one of the richest in the world. Measured in terms of gross domestic product (GDP), it is the equivalent of Western Europe. But with a somewhat smaller population, GDP per capita in North America — Canada, Mexico and the U.S. — is around 12 percent higher than in Western Europe. Companies based in Canada have preferred access to a market of 380 million people, with a combined GDP of more than \$10 trillion.

Increasingly, North America will be viewed as a single market. The market opportunities for products and services produced by a Canadian-based company are as likely to be in Chicago, Houston, and Mexico City, as in Canadian cities. There are especially important regional market clusters along the Canada-U.S. border that can be served from a Canadian location.

There are more than 110 million consumers within a day's drive of southern Ontario. Montreal, Halifax and Moncton are within a day's drive of New York, Boston and Philadelphia. Winnipeg is just 17 hours by road from Chicago and eight hours from Minneapolis. From Vancouver, markets all along the Pacific coast of the U.S. can be easily served. It takes about 48 hours to ship by truck from Vancouver to Los Angeles. With increasingly efficient transportation routes, even the southern American states are considered to be close to major Canadian cities. (See Chapter 10 for more information.)

On their own, several Canadian cities located close to the Canada-U.S. border are large markets. The Toronto metropolitan area has a population of 4 million, Montreal has more than 3 million, and Vancouver has just under 2 million.

North America is also an excellent base from which to develop and launch new products. From a Canadian location, companies can establish a solid market position throughout North America and then reach out to serve global markets.

NAFTA: AN IMPROVED AND EXTENDED FTA

When the FTA came into effect on January 1, 1989, the two countries already had the world's largest bilateral trading relationship. The FTA gave added impetus to two-way trade through the staged elimination of tariffs and other trade barriers. Most of Canada's exports now enter the U.S. free of duty. Tariffs will be completely removed by December 31, 1998.