

Overall trade and economic relations between Canada and the United States continue to grow and flourish. The Canadian and American governments remain fully committed to working together to reduce bilateral trade irritants and to ensure the successful implementation of the Free Trade Agreement. They will also continue their ongoing efforts towards trade liberalization on the multilateral front. Both Canada and the United States realize that as trading nations they must continue to combat protectionism in the interests of promoting international trade and prosperity.

They must be alert to the dangers that protectionist measures - motivated by narrow, vested interests - pose to Canadian and American competitiveness, prosperity and jobs.

Canada-USA Free Trade Agreement (FTA)

The Canada-USA free trade initiative was officially launched in September 1985 by an exchange of letters between President Reagan and Prime Minister Mulroney. The two leaders pledged their respective governments to an effort to negotiate "a new trade agreement involving the broadest possible package of mutually-beneficial reductions in barriers to trade in goods and services." Following 18 months of negotiations, Canada and the USA arrived at an agreement-in-principle on October 3, 1987. Over the course of the next two months, the "Elements of the Agreement" were translated into a legal text which was formally tabled in the House of Commons on December 11, 1987 and signed by the two Heads of Government on January 2, 1988.

In essence, the Free Trade Agreement provides for: the elimination of all bilateral tariffs and other border restrictions within 10 years, backed up by clearly defined rules of origin; special measures to enhance market access for each other's exporters in the areas of agriculture, energy, automotive products, and wine and distilled spirits; liberalization of the regulatory framework surrounding government procurement, investment and financial services; a precedent-setting code providing for national treatment in future legislation in a broad range of service sectors; and a variety of institutional provisions to guarantee impartial resolution of disputes and to oversee implementation of the FTA.

The Agreement is expected to be ratified following passage of implementing legislation in the two national legislatures during 1988, and enter into force on January 1, 1989.

In Canada, drafting of the necessary legislation is nearly complete, and will be tabled in Parliament with minimum