

expanded trade between North America and other countries.

With assured access to a North American market of over 270 million people, Canadian industry will become more competitive and efficient, contributing to a stronger and more productive Canadian economy. And as a result, Canada will emerge as an increasingly competitive supplier, a valuable and affluent market, and an attractive investment site for its trading partners throughout the world.

Canada and the United States

The United States is by far Canada's most important trading partner. It is also the fastest-growing market for Canadian exports. In 1961,

U.S. President Ronald Reagan says this historic Free Trade Agreement will send a signal favouring trade liberalization to the rest of the world.

roughly half of Canadian exports went to the United States, a share which rose to two-thirds in 1971 and to three-quarters in 1986. The U.S. market is even more important for manufactured goods, purchasing 90 per cent of Canada's manufactured exports in 1986.

Trade liberalization will benefit both Canada and the United States: it is not a zero-sum game in which one country benefits at the expense of the other. As Prime Minister Mulroney put it: "It's a win-win situation."

Securing and increasing Canada's access to the U.S. market, therefore, has been a vital element of the Mulroney government's agenda for economic renewal.

The economic benefits to be reaped by Canadians from trade liberalization with the United States are believed to be extensive. It is estimated that real incomes will rise by at least 2.5 per cent in the long term, and that Canadians can look forward to a more dynamic, flexible and competitive economy. According to federal government estimates, more than 120 000 new jobs will be created in the next five years as a direct result of the agreement.

Canadian firms and workers will have time to gear up to take advantage of the new opportunities that it will create, since the agreement will be phased in over a 10-year period. A number of government programs will assist Canadian workers to adapt to changing labour market conditions and will help businesses to capitalize on new and expanded opportunities.

A fair and impartial means to resolve trade disputes is one of the important features of

the agreement. Under the accord's dispute resolution provisions, either country will be able to seek resolution of disputes over dumped or subsidized imports from a joint Canada-U.S. panel whose decisions will be binding on both governments. The two countries have also committed themselves to establishing new trade remedy law before 1996 to prevent unfair trade practices.

The Canada-U.S. Free Trade Agreement builds upon GATT principles and goes beyond them in new areas of trade policy such as services and trade-related investment measures. Almost no international trade rules exist for services, yet they represent the fastest-growing area of Canada-U.S. trade. The agreement therefore establishes a set of disciplines that will regulate and encourage freer trade in the service sector. Both governments have also undertaken to ease rules on foreign investment.

In addition, the two countries have agreed to one of the largest packages of trade liberalizing measures for agriculture ever negotiated, removing all tariffs on agricultural products over 10 years. Horticultural goods, however, are exempt, and Canada's supply management policies — or farm marketing boards — remain untouched.

The Canada-U.S. Free Trade Agreement will undoubtedly send a signal favouring trade liberalization to the rest of the world. And it should provide additional momentum to the round of GATT multilateral trade negotiations now underway. Building upon the progress achieved in the accord, Canada's priority will be to continue the trend towards a more open and mutually beneficial international trading system.



© Susan Biddle/The White House