

THE CANADA-U.S. FREE TRADE AGREEMENT AND THE MULTILATERAL TRADE NEGOTIATIONS

The General Agreement on Tariffs and Trade (GATT) is not only the cornerstone of Canadian international trade policy, it is also the international framework upon which the future growth and prosperity of the Canadian economy depends.

Canadian trade policy pursues trade liberalization along two integrally-related tracks. First, Canada is pursuing further trade liberalization in the Uruguay Round with our partners in the GATT. Second, Canada has negotiated a Free Trade Agreement (FTA) with our principal trading partner, the United States.

The FTA was negotiated under Article XXIV of the GATT, which allows for the creation of free-trade areas and customs unions. Such agreements must meet a number of criteria contained in this Article. For example, they must cover substantially all the trade between the parties involved, and they must not erect new trade barriers against third countries. The FTA is fully consistent with the criteria specified in Article XXIV.

By pursuing a two-track trade policy approach, Canada is working to ensure the greatest possible export opportunities for our industries. There are several important inter-relationships between the FTA and the Uruguay Round of multilateral trade negotiations (MTN).

By expanding access to U.S. markets for Canadian firms, the FTA will enhance the efficiency of domestic industries and enable them to compete more effectively both in global markets and at home. As the impact of the FTA begins to be felt, Canadian enterprises will begin looking for new markets for their goods and services. A major Canadian objective in the Uruguay Round is to expand and secure access to other world markets for Canadian exports by working toward the reduction or elimination of tariffs and non-tariff restrictions, especially for agricultural, natural resource-based and high-technology products.