

# Breaking Trade Barriers

**C**anada and the United States have entered into a historic free trade agreement. On January 2, 1988, Prime Minister Brian Mulroney of Canada and President Ronald Reagan of the United States signed a mutually beneficial bilateral trade accord, the most important ever between the two countries.

The document provides for substantially reduced trade barriers over a 10-year period; at the same time it responds to both countries' major objectives when they entered negotiations 16 months ago. 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."

The bilateral agreement makes substantial progress on Canada's twin goals: it provides Canada with more secure access to the U.S. market and it increases its access in many areas. The agreement does not place any restrictions on Canada's regional development programs and policies or Canada's social programs, and, as well, exempts cultural industries from any of its provisions.

International trade is Canada's lifeblood. In fact, traded goods represent more than half of Canada's gross domestic product (GDP). Since nearly three million Canadians work in industries that produce goods and services for export, securing and enhancing Canada's access to world markets is

understandably a cornerstone of Canada's foreign policy. In this respect, the Canada-U.S. Free Trade Agreement is a significant step towards meeting Canada's goal of multilateral trade liberalization. The agreement will do the following:

- eliminate all tariffs between Canada and the United States;
- reduce non-tariff barriers to trade in goods and services;
- liberalize investment flows between the two countries; and
- establish effective and impartial procedures for the resolution of trade disputes.

## Benefits beyond Borders

The Canada-U.S. Free Trade Agreement represents an important milestone in the development and growth of the Canadian economy. Trade liberalization has been a consistent element of Canadian economic policy throughout the postwar period. It has resulted in substantial declines in multilateral tariffs through the General Agreement on Tariffs and Trade (GATT), and has given rise to key sectoral trade arrangements such as the Auto Pact deal between Canada and the United States.

The new bilateral agreement, however, goes even further, by effectively dismantling most of the remaining trade barriers with the United States without raising barriers to any other countries. As well, it provides a model for future multilateral trade agreements that include trade in services and agriculture.

During a recent visit to Canada, Japanese Prime Minister Noboru Takeshita and Prime Minister Mulroney predicted the trade agreement would lead to

After months of high-level negotiations, Canadian Prime Minister Brian Mulroney signed the Canada-U.S. Free Trade Agreement on January 2, 1988.

