

Main Impacts of the Free Trade Agreement

In the November 1984 *Agenda for Economic Renewal*, the government indicated its support for a new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) and its intentions to explore various options for bilateral trade liberalization with the United States. These are key elements in the government's blueprint for renewing the long-term health of the Canadian economy.

On October 4, 1987, the Governments of Canada and the United States agreed in principle on the elements to be included in a free trade agreement. The legal text of the Agreement was tabled in the House of Commons on December 11, 1987 and signed by the Prime Minister on January 2, 1988. The Agreement will eliminate barriers to trade in goods and services between the two countries. It will facilitate fair competition within the free trade area and liberalize the conditions for cross-border investment.

The Agreement will also establish effective procedures for the joint administration of its provisions and the resolution of disputes.

This report provides an analysis of the economic impacts of the Free Trade Agreement, based on research undertaken at the Department of Finance and elsewhere. The main conclusions are the following:

- The elimination of trade barriers between Canada and the United States will raise