

Background

In 1947, Canada and 22 other nations signed the General Agreement on Tariffs and Trade which committed them to a process of trade liberalization. Canada has always had a strong interest in maintaining an open trading system and in renewing the authority of the GATT. Small and medium-sized countries such as Canada need internationally agreed-upon trading rules to ensure that their rights are observed by countries that enjoy greater economic power. This has become an issue for Canada in recent years, as various lobbying groups in the United States have shown increasing aggressiveness in using their country's trade laws to limit imports which eventually led to the Omnibus Trade Bill of 1988.

The global scene has been changing rapidly. An earlier presentation reviewed the process of European economic integration to be completed by the end of 1992. Perestroika, economic renewal and restructuring in the Soviet Union and in several East-European countries are other dynamic and encouraging developments. In the evolving new environment and with the formation of transnational economic units Canada has been faced with a decision regarding its future trade orientation. Canada's major concern in trade negotiations has been to uphold the GATT principles of liberalization while attempting to limit the damage resulting from U.S. trade action.

These developments served as background to the negotiations that led Canada to sign a free-trade agreement with the United States on January 2, 1988. From Canada's perspective, the objective of this agreement is to extend earlier initiatives, to encourage tougher competition in the Canadian market, and to open up the large U.S. market for Canadian goods and services. These goals are in keeping with the internationalization of financial activity and the global application of science, technology, and investment.