

The Road to the Agreement

The Agreement represents the culmination of efforts over the past century by Canadians and Americans to establish a better and more secure basis for managing their trade and economic relationship. Even before Canada became a nation, the United States and Britain sought to ensure that the 49th parallel did not become an unnecessary and artificial barrier to commerce between Canadians and Americans. The first free-trade agreement was signed in 1854. Unfortunately, it did not survive the hostilities created between the United States and Britain during the American Civil War and was abrogated by the United States in 1866. There followed various efforts in the 1870s, 1880s and 1890s to return to the free-trade conditions established by the 1854 treaty. Each foundered because either one government or the other was not ready to enter into an agreement.

In 1911, the Liberal government of Sir Wilfrid Laurier concluded a comprehensive agreement. It too, however, proved premature. Business people in both countries were lukewarm and, following the defeat of the Laurier government later that year, the accord became a dead letter. In the following two decades, the two countries learned to their regret what could happen without free trade. Passion and protectionism ruled supreme and the two nations built ever higher barriers to commerce between them.

The spiral of ever-increasing protectionism was finally broken in 1935 when the two countries negotiated a modest but historic most-favoured-nation agreement between them. It was one of a series of agreements concluded under the U.S. Reciprocal Trade Agreements Program, the Roosevelt Administration's answer to the infamous Smoot-Hawley Tariff Act of 1930, which had raised trade barriers to their highest level ever.

The 1935 accord marked the beginning of a bipartisan effort in Canada to expand trading opportunities for Canadian entrepreneurs. Started by the Conservative government of R.B. Bennett, it was concluded by the Liberals under Mackenzie King. Three years later, the Agreement was enlarged and improved. It confirmed the commitment of both governments to more liberal trading conditions, a commitment they pursued throughout the next 50 years.

At the conclusion of the Second World War, Canada and the United States co-operated in an ambitious effort to translate the gains