

## Trading predictions

leverage in a resource-hungry security-conscious world.

It should be emphasized that the negotiation of special bilateral arrangements is not alien to past Canadian trade policy. It has ranged from broad framework agreements such as "the contractual link" with the European Community to bilateral trade agreements (largely with developing and socialist bloc countries), to special bilateral contractual obligations, e.g. Canada's agreement to purchase certain quantities of crude oil from Mexico in exchange for technical assistance, to specific sectoral agreements such as the Canada-US Automotive Products Agreement (the "Auto-pact") and the Canada-US Defence Production Sharing Agreement. The common objective in all these agreements is to provide greater certainty and security to bilateral relations.

It seems likely that bilateral arrangements will become more important, for these reasons:

1. There appears to be substantial scope for marriage between Canada's resource wealth and foreign technology and expertise, with governments acting as brokers either informally or through specific arrangements.
2. There are major bilateral opportunities with the Newly Industrializing Countries which should be key growth markets for Canadian capital goods and their associated services; at the same time the NIC's are destined to become major suppliers of consumer goods to Canada.
3. There is little scope currently for anything resembling true bilateral free trade between Canada and the US, given respective political directions, US demands for "reciprocity," and the related complexities of negotiating a balanced package. But there are further possibilities for mutual agreements on a sectoral basis, for instance in petrochemicals, transit equipment and primary textiles. Indeed, some or all of these might be traded off against the current auto agreement.

Bilateral arrangements would have to involve concessions on Canada's part with respect to import access, whenever they are placed on the table. Although such concessions are likely to cause difficult adjustment problems in the short-term, especially during a recession and particularly on a regional basis, they could produce long-term benefits for the Canadian economy in terms of the

efficiency of allocation of scarce capital and labor resources.

### "Trading bloc" alternative

Finally, there is the continually tantalizing prospect, though last-ditch alternative, that Canada could gain market access and security by joining a trading bloc. Indeed, the old Commonwealth Preference system presented some opportunities of this type and market positions built up under these arrangements are still important to Canadian overseas trade. But the Commonwealth Preference is finished, replaced by EEC tariffs around the British market and Lomé Convention exclusivity in many Commonwealth developing countries. Dreams of a North Atlantic trade tie-up are long past, with only special arrangements left as possible options. Yet there are still some trade bloc temptations to be scrutinized, although they are hardly more than fall-back positions for the second half of the 1980s, if other initiatives fail and world trade turns sour.

The US Trade Agreements Act of 1979 in Section 1104 suggest study of possible trade agreements in the northern portion of the western hemisphere, principally USA-Mexico-Canada. On the face of it, Canada and Mexico have little to offer each other, if much to grant to the US, but there may be some aspects of such a relationship which could reward Canada. A potentially more fruitful trade grouping for Canadian membership would involve the Pacific Rim countries; the five advanced (Australia, New Zealand, Japan, Canada, US), the five ASEAN (Philippines, Indonesia, Malaysia, Singapore, Thailand), and perhaps one or two others such as Mexico, Hong Kong and South Korea. Certainly the balance of power in such a grouping might better suit Canada, and this region includes Canada's fastest growing international trade markets. However, at the moment only Japan, Australia and South Korea seem to favor rapid movement in this idea, with the USA especially reluctant to forego a multilateral approach, and ASEAN concerned that all its hard-won successes might be swept away in a larger trading bloc.

To sum up, for Canada the age of multilateralism in trade policy is ending, and future progress in obtaining international market access and security more likely lies in a variety of bilateral endeavors, or just possibly in the more difficult to negotiate complexities of a trading bloc. □

## Beyond Dialogue

by Ernest Corea

A southern perspective on North/South by a man who has lived in both the North and the South. Ernest Corea was Editor of the *Ceylon Daily News* and foreign affairs specialist of the *Straits Times Group*, Singapore, before coming to Canada to work with the International Development Research Centre. Between 1978 and 1980 he interrupted his work at IDRC to serve as Sri Lanka's high commissioner in Ottawa. He recently left Canada to become his country's ambassador in Washington.

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