

I believe there is a compelling case for us to explore all possible ways to secure and enhance our market access to the United States. I am by no means alone in this belief. The question is being posed more frequently, particularly in the business community, whether we should not be seeking special bilateral arrangements with the United States.

A number of ways have been suggested for approaching new bilateral arrangements. These include negotiating a general trade enhancement agreement, sectoral agreements, functional arrangements and a comprehensive agreement. Each has advantages and disadvantages.

A trade enhancement agreement might provide a framework in which the two governments would agree in principle to work towards the goal of more open trade. For example, joint institutions might be created to examine means of improving trade and resolving problems that arise from time to time. A trade enhancement agreement would establish longer term objectives but would not bring any immediate substantive change in our trading arrangements with the States.

The second approach would involve sectoral accords. There are at present two sector agreements with the USA, the Canada/USA Defence Production Sharing Agreement and the Autopact. A further sectoral initiative was launched last February, with four sectors coming under review: steel, urban transit equipment, agricultural equipment and inputs, and the whole area of informatics, including computer services.

But two major constraints on the sectoral approach have been apparent from the outset. One is the general operating principle that any sector arrangements would need the support of the industries in both countries, would need to be perceived as mutually advantageous, and would not involve cross-sectoral trade-offs. The other constraint is the "most favoured nation" clause of the GATT, which would require us to extend the conditions of any bilateral agreement on lowering trade barriers to all members of the organization.

A third approach might be to seek a "functional" arrangement, designed to remove, reciprocally, a particular non-tariff barrier. Government procurement practices would be an obvious example. However, like the sectoral approach, there might be problems of negotiability and GATT compatibility.

The fourth approach would be bilateral exploration of a comprehensive "free trade area" agreement. This could provide for the phased elimination of barriers on trade