

Footnotes

1. GATT Article XXIV 8 (b) defines an FTA in the following words: "A free trade area shall be understood to mean a group of two or more customs territories in which duties and other restrictive regulations on commerce [except for special purposes defined by the GATT] are eliminated on substantially all trade between the constituent territories in products originating in such territories."
2. For a detailed study of some of these differences, see S. Lipsett, "Canada and the United States: The Cultural Dimension," in C.F. Doran and J.H. Sigler, eds., Canada and the United States: Enduring Friendship, Persistent Stress (New York: Prentice-Hall, 1985).
3. See R.G. Lipsey and M.G. Smith, Taking the Initiative: Canada's Trade Options in a Turbulent World, Observation no. 27 (Toronto: C.D. Howe Institute, 1985).
4. "Stumpage" refers to payments to the landowner for logs cut on his property. Canadian payments, because they are often lower than U.S. payments, mean that Canadian producers are often perceived to have lower production costs. The argument over stumpage as a subsidy to Canadians disregards differences in the quality of timber and the cost of harvesting it.
5. The issues we wish to address are current-account ones, so we take net capital flows as given (at zero for simplicity).