

## Difficult negotiations

state governments concerning a bilateral trade accord will be articulated quite well in the corridors of Congress and through such key executive branch agencies as the Office of the US Trade Representative.

### How free the trade?

In my opinion, Canada and the United States should vigorously pursue a broad-ranged free trade accord. Free trade would include an absence of both tariff and non-tariff barriers, but certain sectors could be removed from free trade consideration because of their political or economic sensitivity. In addition, other sectors would be subject to a phased-in timetable which would permit both industry and labor groups adequate time to prepare for free trade conditions. Trade-adjustment assistance would also be available for severely impacted economic sectors. If carefully prepared, the trade agreement would be fully compatible with GATT Articles 24 and 25 and would not jeopardize the international trade commitments of the United States and Canada. In addition, point-of-origin and other related features of the trade agreement should comply with GATT standards and thereby allay fears of the Japanese and others that the bilateral discussions are primarily intended to create a "Fortress North America."

Yet, I am not optimistic. The free trade issue is still a political hot potato in Canada and many political leaders would prefer that trade liberalization occur gradually and quietly through the multilateral trade negotiation route and through *ad hoc* bilateral talks on such issues as pharmaceuticals, lumber and book publishing.

Many leaders on both sides of the border are also ignoring how complicated the trade agenda will be. Canadian negotiators must be extremely sensitive to the complaints of a very vocal domestic opposition and both sides must make a good faith effort to satisfy the growing demands of their subnational governments. In addition, how do the negotiating teams resolve the following issues in a very short period of time?

1. Government procurement codes at the national, state and provincial levels
2. Safeguards
3. Production and market guarantees
4. Point-of-origin conflicts
5. Currency stabilization guidelines
6. Antitrust rules

7. Extraterritorial actions
8. Investment review and restrictions
9. Liability laws
10. Warranty and product guarantee codes
11. GATT Articles 24 and 25 provisions to negate the notion creating a "Fortress North America"
12. Patents, trademarks, and copyrights
13. Provincial and state government controls over certain economic sectors
14. Rules governing Crown corporations or government-controlled enterprises
15. Movement of labor across national, provincial and state borders
16. Transportation regulations
17. Countervail stipulations
18. Dumping
19. Licensing standards
20. Technology transfer codes
21. Taxation, including unitary formulas
22. Environmental protection
23. Regional subsidies
24. Financial sector regulations
25. Cultural issues
26. Phase-in periods
27. Sector "swapping"
28. Dispute settlement mechanisms.

Canadians can perhaps be complacent and hope that the current bilateral trade relationship highlighted by healthy trade surpluses and relatively open access to the US market will continue. However, heavy dependency on trade with the United States will make Canada the major victim of any future protectionist battles pitting the United States against the major industrial powers of Europe and Asia. Canada simply cannot expect to be exempted from any trade skirmishes without a pact assuring access to the US market.

In the long run, both sides would suffer from the failure to produce a meaningful free trade accord. However, Canada has by far the most to win or lose, and the burden rests on Ottawa to provide momentum and substance for the upcoming negotiations. □

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