

from the more innovative provisions in the CUSFTA and NAFTA. Nevertheless, there remain barriers to the full exploitation of cross-border integration. To achieve these additional benefits, a concerted effort will be required to address the combined impact of dated, dysfunctional, and intrusive border administration, the haphazard process leading to deepening regulatory convergence, and the frail institutional capacity to govern accelerating integration, together with an expansion of the reach of binational policy-making to address investment, intellectual property rights, labour, services, and other economic transactions.

Thus, while the trade policy of the past may have reached the point of diminishing returns, new challenges have arisen that we believe to be amenable to resolution through bilateral negotiations. Progress on these issues requires a better understanding of the successes and limitations of the old trade policy, the contribution of regional trade negotiations, the nature of modern production and exchange, their cross-border manifestation between Canada and the United, and the barriers to their full development. Following a discussion of these factors, we will consider the new trade policy issues that need to be addressed between Canada and the United States and the benefits that should flow from their successful resolution.

The Old Trade Policy

Over a period of some fifty years—from its first deployment in the US Reciprocal Trade Agreements Program in the 1930s through the conclusion of the Tokyo Round of multilateral trade negotiations in the 1970s and into the opening of the Uruguay Round in the 1980s—trade negotiations grounded in mercantilist bargaining and negative prescription proved an unqualified success for those countries prepared to take advantage of this strategy. The result provided the basis for a tremendous increase in international trade and a major boost in productivity and prosperity. Mercantilist bargaining offered a politically acceptable way to pursue politically difficult economic goals.