

Any new bilateral trade agreement with the United States should be designed to build upon and complement the GATT and its supplementary codes, which would remain the basic trade agreement between the two countries. A new bilateral agreement is not an alternative to the GATT and should not be seen as replacing the GATT. From a Canadian perspective, it is essential that the United States continue to be obligated to adhere to the GATT rules in its trade with Canada--rules which have been painfully negotiated over the post-war period, and which will preserve at their lower levels U.S. tariffs that have been bargained down in successive rounds of GATT negotiations.

On this basis, a new bilateral agreement might include the following main elements:

- ° It could embody and secure the results of negotiations to reduce or remove remaining tariffs and other barriers to cross-border trade on a comprehensive basis, beyond the reductions likely to be achieved in further GATT multilateral negotiations, with agreed phase-in periods tailored to suit each country; these would probably be different on each side and also differ among product sectors.
- ° It could contain new and tighter rules, beyond those in the GATT, to govern the trade policies of the two countries as these affect cross-border trade. These new rules could apply to the use of such measures affecting bilateral trade as anti-dumping and countervailing duties, and the use of "safeguard" import measures; and they could govern government procurement policies. Better rules are also needed to govern cross-border trade in agricultural products, which is restricted by barriers of various kinds, especially in sectors where governments on both sides have established domestic support programs. New rules might also be needed to cover issues which are not now subject to the rules of the GATT, including those governing trade in services.
- ° The agreement might establish special arrangements for continuing consultations between the two governments on the operation of the new agreement, and generally on the bilateral trade and economic relationship.
- ° The agreement could establish, as proposed below, a quasi-independent Joint Trade Commission, which would assist in the operation of the new bilateral trade agreement, help resolve trade disputes, carry out fact finding and monitoring in trade and economic areas, and be assigned other related tasks.

A bilateral agreement along these lines would probably require the amendment of certain existing trade legislation in both countries. On both sides, and especially in Canada, the implementation of a new agreement might well require supplementary arrangements between the federal governments and the provincial and state governments. Canadian provinces would need to be closely involved from the start in the negotiating process--even if they are not represented at the negotiating table--and participate in the subsequent