

RECIPROCITY

ISSUE

The term reciprocity, when applied to contemporary economic relations, refers to the idea that foreign access to a country's market should be directly linked to the accessibility of the foreign country's market to domestic firms.

BACKGROUND

Two of the more commonly discussed forms of reciprocity associated with 1992 are "mirror image" and national treatment with "comparable effective market access". "Mirror image" reciprocity means that foreign firms are granted exactly the same access to the domestic market as domestic firms have to the foreign country's market. This requires both countries to have or adopt identical business regulations. Market access becomes a function of regulatory harmonization. As a result, the unilateral adoption of the principle of "mirror image" reciprocity by a country is seen as an attempt by this country to project its influence and preferences abroad.

Reciprocity, when referring to national treatment with "comparable effective market access", implies that firms will be granted "equivalent" access to each other's markets. While this form of reciprocity can accommodate regulatory differences, it suffers from the subjective nature of the terms "comparable" or "equivalent".

EC POSITION

The Community has contemplated the use of "mirror image" reciprocity as a pre-condition for allowing foreign firms access to the EC, the initial draft of the Second Banking Directive being a case in point. After considerable international pressure, the final directive incorporates reciprocity in the form of national treatment with "comparable effective market access".

There does remain the question of how exactly "comparable effective market access" will be interpreted by the Commission. This point is of considerable importance since the Commission has been granted the authority to implement sanctions against "non-conforming" countries.

CANADIAN POSITION

Canada, due to its federal system and the existence of provincial regulations, favours a form of reciprocity based on the idea of national treatment with "equivalent" market access.