

sectors will be examined to determine the desirability, negotiability, and acceptability of establishing a free trade area. Once the study of individual sectors has been completed, Ministers will receive an assessment memorandum explaining the advantages and disadvantages of proceeding with negotiations on limited free trade. If it is decided that a certain sector should be the subject of negotiation, a team would then meet USA officials. If negotiations are successful, the two Governments would presumably wish to consult the GATT to obtain its agreement on any bilateral trade concessions of a preferential or discriminatory nature.

Officials have identified a range of trade barriers, the removal of which in the context of bilateral sectoral liberalization, could be in Canada's interest. These include Government procurement restrictions which are important in both the urban mass transit and steel sectors; and tariff and escape clause action both of which are particularly significant in the steel sector.

IMPLEMENTATION CONSIDERATIONS:

The Departments of Regional and Industrial Expansion and Finance will be involved in the work on all sectors; other departments such as Agriculture and Communications will be consulted about specific sectors. It will be necessary to obtain the approval for each discussion paper on each sector from the ADM United States Branch, the interdepartmental trade policy committee, industry and the provinces. Ministers will take the ultimate decision regarding whether or not to negotiate a free trade area with the United States. In each case, the industry will be consulted early about the desirability of liberalization in a particular sector. The provinces will also be consulted about the possible provincial trade barriers such as government procurement. American officials will be approached informally regarding the negotiability of certain issues, and information will be gathered on US interests with respect to certain sectors. The Canadian Embassy in Washington will be involved in the project providing information and liaising with the US administration. The other Canadian posts in the United States will possibly be asked to obtain the views of American industry sectors in their regions. Any changes resulting from the studies will be put in place through bilateral agreement.

Lack of resources, which are now being borrowed for this project, and inadequate cooperation from all those to be consulted could affect the successful completion of this project. Other important factors that could hamper this project are as follows: Canadian industry not interested in liberalizing in certain sectors; provincial government unwilling to remove provincial barriers; US interests opposed to negotiating limited free trade in certain sectors; and, the GATT opposed to sectoral free trade between Canada and the United States. If this project were delayed, it would mean that Canada might miss opportunities, to determine whether or not in the steel or the urban mass transit sectors there are real prospects for limited free trade with the United States.