

tilateral trade negotiations but the conviction was growing that the GATT was not enough, and that a new bilateral arrangement with the United States was necessary. Many Canadians now felt that Canada could "take the bold steps that economics and geography demand", although in the process a national debate would be opened up going beyond economics to include the question of political independence and sovereignty.

The first U.S. response was made by a senior Congressman, chairman of the Sub-committee on Trade of the House Ways and Means Committee, who drew attention to the constitutional powers which prevailed in the field of trade. Congress had the power to control trade, although for practical purposes it had delegated authority as needed to the President to negotiate specific agreements. At this stage, the only delegated authority which the President had from Congress was to negotiate a two-way trade agreement with Canada. The "fast track system" would allow the President to sign an agreement which Congress had either to accept in its entirety or reject within 60 days.

He expressed the opinion that the United States was genuinely interested in exploring the prospects for a trade agreement with Canada, but he doubted whether it was feasible to do so on a sector-by-sector basis. However, the United States would leave Canada to take the initiative.

The experience of negotiating a free trade arrangement with Israel suggested that it should be possible to do so with Canada and to secure Congressional approval. Israel's barriers in every case—tariffs, quotas and subsidies—were higher and therefore more difficult to resolve. Previous United States' experience with Canada had also been favourable. The auto pact was a model and without it the automobile industry of both countries would have been worse off.

The next Canadian speaker stated that the new government was aware that economic problems such as high unemployment and a rapidly growing deficit had contributed to the change of government. The government was looking to expanded trade to help resolve economic problems, and giving particular attention to trade with the United States. It believed that Canadians wanted a special trading relationship with the United States. What did Americans want, this Canadian delegate asked, when U.S. legislation made no distinction between, for example, Canada and Japan. Timing was critical, since the new government had four years to prove itself, and he wondered whether the United States would respond quickly.

The second American to speak was a Senator from a mid-West farming state who approached the questions just put from the perspective of his constituents. He feared that with depressed conditions on U.S. farms, the timing was bad. Rural communities in particular were suffering: people were out of work and local banks and businesses were failing. The sharp

growth of Canadian farm exports such as hogs had upset U.S. producers. As a result, Canada was "caught in a time war" and "the pendulum was swinging in the wrong direction". He expected the mood would change and that free trade with Canada would be acceptable in future, but he thought that that moment was some years away.

The final Canadian speaker, a Senator, said that ultimately a national debate would be precipitated on this issue and he hoped it would be non-partisan. There was a need for public education in Canada, since there was insufficient understanding of different concepts and approaches. To illustrate his point, he noted that agricultural trade had been deliberately excluded from free trade arrangements made by individual non-EC European countries with the European Community. He recommended that agricultural trade should be left out of a North American agreement, since climatic differences were significant and the two countries had quite different marketing arrangements. With agriculture excluded, he suggested that concerns raised by the previous speaker about timing could be set aside.

This delegate drew attention to the fact that *de facto* free trade already existed between the two countries. However, an agreement was needed so as to have a mechanism for dealing with non-tariff barriers and to exempt Canada when it was the innocent victim of measures taken by the United States to protect itself from third countries.

The most important economic benefit of free trade for Canada would be the rationalization of Canadian industry which it would make possible. It was important in both countries that it be well understood that a free trade arrangement did not open the borders to imports from third countries; each country would be free to maintain its existing tariff structure. It was also possible to reach agreement on domestically important exceptions. For example, the United States might want to preserve a system of set asides for minorities, while Canada might wish to maintain a support arrangement for regional development.

In the discussion which followed, a Canadian participant, noting that the meeting was taking place in an old cannery which had been closed down because of food imports, agreed that agricultural trade might best be excluded. Another Canadian noted that there was not yet a common market in Canada. He expressed particular concern about the future of the textile industry and asked what kind of transitional arrangements were envisaged. One of the earlier spokesmen responded that free trade agreements in Europe had been phased in over 10 years and there had been transitional funding arrangements for industries which faced problems. However, the textile industry would not face increased third world imports which would be damaging, and it could be argued that access to the U.S. market could give Canadian textile manu-