

Rodney de C. Grey has characterized contingent protection systems as "power-oriented":¹ only a large industrial state can operate effectively the large bureaucratic establishment and mass of detailed legislation required to maintain such a system. The impact of countervailing duty and antidumping actions, Grey argues, will be greater on a smaller, trade-dependent economy such as Canada. Plants in a smaller country export a large portion of their output and, thus, a countervailing duty or antidumping action taken in another country can have devastating effects on their overall profitability. Plants in a large economy such as the United States, on the other hand, sell most of their production in the domestic market and, thus, are not as vulnerable to unfair trade actions taken in other countries.

In 1984, Canada shipped 75 percent of its exports to the United States. The elaborate U.S. contingent protection system thus has a profound impact on Canadian government policymaking and on the business activities of Canadian exporters. From Canada's perspective, the main trade irritants in the U.S. contingent protection arsenal can be classified broadly into two groups. The first consists of countervailing duties and other measures directed at Canadian government policies or business practices that the United States views as constituting unfair trade. In the second group are formal or informal restraints directed at Canadian exports deemed to be disruptive to U.S. industry.

This paper describes these two groups of trade irritants and examines their implications for Canadian economic policy. It then offers suggestions as to how bilateral trade negotiations might limit the impact on Canada of U.S. trade laws.