

While superficially similar, in that each focusses on a specific sector, in fact the intent and circumstances of these agreements vary widely. The MSA negotiation is stalled. It is multilateral, rather than bilateral and the driving force has been the market power of the U.S.. Moreover, in practice this exercise was linked to the successful conclusion of a balanced overall MTN package. The MSA's focus was on facilitating the international rationalization of the steel sector by disciplining (read reducing) domestic production subsidies, as a precondition for undertaking the elimination of import duties on steel products tentatively agreed to in the MTN market access negotiations. In the event, even the link to the much broader MTN universe of potential trade-offs was insufficient. The MSA was not concluded in mid December. For its part, the proposal for a North American arrangement is driven primarily by the Canadian industry's frustration with U.S. anti-dumping harassment, and has elicited a cool response from across the border. The issue in the regional context is really linked to our broader concern related to the eventual reform or replacement of national trade remedy regimes. Of the Tokyo Round instruments, only the Civil Aircraft Code codifies a concrete commitment to liberalize trade. It was, of course, part of the overall multilateral Tokyo Round result and therefore cannot be viewed as a stand-alone achievement. The Auto Pact was a stand-alone bilateral, but was arguably GATT-inconsistent (the U.S. sought and obtained a GATT waiver; Canada did not).

The preceding hints at some of the difficulties with a sectoral approach. We can summarize these considerations as follows.

The bilateral sectoral approach runs up against the problem of identifying a sector where there is sufficient common interest between two parties upon which to base a negotiation to eliminate all or almost all barriers. During the 1984-85 period, both Canada and the U.S. expended considerable effort trying to select a few candidate sectors. Both sides found that their sectoral wish lists were largely different, a process that logically seemed to lead to the more comprehensive process that resulted in the FTA.

Moreover, even if two countries initially identify what appears to be a sector of common interest, problems invariably arise during the course of the negotiations that require tough choices. As a practical matter, it is often difficult to find the necessary trade-offs within a single sector or even among a limited number of product groups.

If bilateral free trade were negotiated for a specific sector, there would be another problem. Such a result would be inconsistent with Canada's GATT obligations, as Article XXIV cover is available only if the agreement applies to substantially all the trade between the constituent territories. Thus, bilateral free