

This increased government involvement has paralleled an equally significant process of integration of the two economies, which has added to pressures for increased government intervention. As each separate economy becomes more sensitive to the internal as well as the external policies of the other, pressures emerge for new bilateral solutions to deal with domestic trade and economic problems.

A further pressure for improved arrangements to manage the bilateral trade relationships has emerged as a result of the increasingly legalistic body of trade legislation--in both countries as well as within the broader international trade system--governing both "standing" measures for import protection and measures of a "contingent" kind to deal with short-term import problems. Domestic legal and administrative systems which govern trade have now become so extensive and complex that only full-time specialists can understand them; they have become correspondingly open to manipulation by powerful, special interest groups and at times can operate with unpredictable results. The growing complexity of these domestic trade policy systems generates pressures for international rules to govern their use.⁹

Further pressures for change in the bilateral trade relationship arise from the surge of proposals in the U.S. Congress for the introduction of trade restrictive measures of one kind or another. These current pressures reflect in large part the overvalued U.S. dollar, which is mainly responsible for the large and growing U.S. trade deficit. While the strength of the U.S. dollar may be a short-run problem, longer-run changes in patterns of world production and trade have also contributed to continuing high levels of unemployment in certain "smokestack" industrial sectors, and to low world prices for many farm products. Many of the demands for protection in the United States reflect problems in particular commodity sectors, such as steel and automobiles, rather than overall imbalances in the trade account. Longer-run shifts in comparative advantage are also at work, in addition to macroeconomic trends and changes in the value of the U.S. dollar. Some of the current proposals to limit imports into the United States are aimed selectively at Japan, the European Economic Community and some of the newly-industrialized countries, but if implemented, they could also severely damage Canadian economic and trade interests, for example if a surtax were to be imposed on imports. Other protectionist proposals are directed squarely at Canadian exports. One such proposal would amend U.S. legislation in order to redefine subsidies in ways that could pose new threats to Canadian exports of softwood lumber.

Still further pressures for change in the bilateral trade relationship arise, especially on the Canadian side, from the growing interest of provincial and state governments to participate more directly in the formulation and operation of trade policies. Canada-U.S. trade arrangements and issues have been high on the agendas of successive meetings of First Ministers and meetings of provincial Premiers over the past year, as well as on the agendas of regional meetings of provincial Premiers and Governors of neighbouring U.S. states. This greater interest and involvement of the Canadian provinces in trade policy areas has led to the establishment of more structured arrangements for regular federal-provincial consultations on Canada's trade policies at the level of First Ministers, trade ministers and officials. Pressures may be expected for the further