

Executive Summary

The Canadian Government is currently considering whether to enter into discussions with the U.S. Government regarding the creation of a bilateral Free Trade Agreement. This memorandum discusses the political and legal feasibility in the United States of various proposals, which Canada might make in those discussions, to modify the way U.S. import relief laws are applied to Canadian exports.¹ In accordance with your request, we discuss in some detail (i) the legal and institutional constraints on the U.S. negotiators, (ii) the current political attitudes on trade in the Administration, Congress, and key interest groups, and (iii) the likely reaction of the U.S. Government to each of the various proposals that have been made to create a special position for Canada under the U.S. import relief laws.

The deteriorating U.S. trade position has inspired a protectionist sentiment in the Congress and public, and led to increased pressure on the Administration to limit imports and reduce foreign barriers to U.S.

¹ Undoubtedly, special phase-in procedures will be needed in a Canada-U.S. FTA to protect domestic industries from a prospective flood of imports caused by the removal of tariffs. This memorandum does not address that transitional import relief, but rather discusses proposals to permanently modify application of the U.S. import relief laws to all Canadian exports.