

evolution of structures for federal-provincial consultations on trade policy in the context of Canada's participation in bilateral and multilateral negotiations.<sup>10</sup>

Another set of incentives for new bilateral Canada-U.S. trade arrangements arises from the perception that the GATT system has faltered since the end of the Tokyo Round and has become too cumbersome to deal effectively with contemporary trade problems facing Canada and the United States. The delays, difficulties and uncertainties surrounding the prospective next round of GATT tariff and trade negotiations, to which both Canada and the United States are giving strong support, have provided additional incentives for opening bilateral negotiations between Canada and the United States aimed at a new, more open trade relationship. While this process would doubtless be difficult and take considerable time, it can be predicted that a further round of GATT negotiations would be even more prolonged and might not deal adequately with major issues in Canada-U.S. bilateral trade.

The results of recent economic research and analysis of the costs and benefits of further bilateral trade liberalization, especially on the Canadian side, have reinforced interest in reducing and removing barriers to Canada-U.S. trade, as well as on a broader basis, as a means of stimulating the Canadian economy and improving the efficiency and productivity of Canadian industry. This prospect has greatly influenced the recent public debate in Canada over negotiating new, more open trade arrangements with the United States as well as the succession of studies and pronouncements by federal and many provincial leaders on the subject. On the political level, new and improved bilateral trade arrangements are viewed as urgently needed in both countries as a means of establishing a more harmonious Canada-U.S. relationship in general. As noted above, the desire to improve, liberalize and strengthen the bilateral trade relationship emerged clearly in the Quebec "Declaration on Trade". An interim report by the Joint Parliamentary Committee on Canada's International Relations in August 1985 called for the immediate opening of comprehensive, in-depth bilateral discussions of trade issues and arrangements.<sup>11</sup> An even more positive endorsement of new bilateral trade arrangements was contained in the report of the Macdonald Commission on Canada's future economic prospects.<sup>12</sup> In October 1985 an interim report by an Ontario Select Committee on Economic Affairs, Ontario Trade Review, gave general approval, with several reservations, for negotiations "to reduce or eliminate barriers to trade between our two countries in a mutually beneficial manner".<sup>13</sup>

A decisive Canadian initiative has now been taken to launch negotiations for a Canada-U.S. bilateral trade agreement. At the beginning of October Prime Minister Mulroney sent a formal proposal to President Reagan which established a basis for the President to seek the required authority from Congress to engage in the negotiations.

#### Canadian and U.S. Objectives

Among the Canadian objectives in the negotiations the following may be expected to be high on the list: