

bunch up, creating an impression of serious crisis in the broader bilateral relationship.

There is also a growing appreciation of the need for better arrangements in both countries, as well as on a co-operative basis, for continuing and more structured research and analysis of economic and trade issues of common concern to the two countries. Internal government studies and reports do not serve this need adequately since they tend to consist of briefs and position papers prepared for negotiating and similar purposes, and are not often made available to the public. The 1985 Report of the Macdonald Commission, together with a number of studies prepared for the Commission, makes a major contribution to the analysis of contemporary Canada-U.S. trade policy issues and relationships.<sup>8</sup> Semi-independent agencies, such as the Tariff Board and the Canadian Import Tribunal in Canada, and the International Trade Commission in the United States, have made valuable contributions to a better understanding of bilateral issues, although their work is usually linked closely to legislative requirements in one or the other country, cast in a narrow perspective of national interest, or aimed at determining whether domestic producers are being, or threaten to be, damaged by imports.

Independent research organizations and the academic community also make a good contribution to the better understanding of bilateral trade issues. The Economic Council of Canada, the Institute for Research on Public Policy, the C.D. Howe Institute and other research bodies in Canada, as well as several research institutes in the United States have all published a number of studies of Canada-U.S. economic and trade relationships and may be expected to carry out further research and analysis in this area. But these efforts by research institutes and the academic community are sporadic, and not always focussed on policy issues; they depend on uncertain financial and other resources and often lack a continuing institutional base.

### **The Economic and Legal Environment**

The need for new arrangements to govern Canada-U.S. trade reflects a number of underlying developments, both within the two countries and internationally.

One such development, especially over the past two decades, is the increased involvement in economic affairs of governments at various levels in both countries in pursuit of a range of economic, political, cultural and social objectives. The scope and nature of those government interventions, and their consequences for international and bilateral Canada-U.S. trade, have increasingly been subject to public questioning. Severe strains in the trade relationship have emerged from interventions by both governments. Examples include a variety of subsidy programs in both countries, Canada's NEP and FIRA programs, the tax advantages provided to U.S. exporters by the DISC program of tax incentives and its successor program, preferences in both countries for domestic suppliers under enlarged government purchasing, and massive government interventions in both countries in support of the agricultural sector.