

countries as mutually advantageous. There would be no cross-sectoral trade-offs, thus limiting the scope of the exercise and the negotiating parameters. Hence, a sectoral steel arrangement is opposed by the U.S. industry and, in urban transit, the U.S. has indicated that government procurement liberalization in that sector would not be self-balancing. These are not at present under active consideration. In the immediate future, the only sector which seems to offer some prospect for successful negotiation is agriculture equipment/inputs. Informatics is promising but the complexity of this sector and the diversity of interests involved makes rapid progress difficult.

69. In the functional approach, an important question is how an appropriate balance of advantages could be struck between those industries which would benefit from such arrangements and those which would face increased import competition. The fact that the tariff would remain and that the incidence of protection from tariff and contingency protection and non-tariff measures varies among industries makes a confident assessment of the scope for mutually beneficial functional arrangements difficult.

70. In light of these considerations, an important question is whether sufficient political and private sector support could be mustered for individual agreements on a step-by-step basis or whether a comprehensive approach would better ensure positive results.

71. Another consideration relevant to the examination of such arrangements is the GATT. The most-favoured-nation (MFN) obligation of the GATT requires members of the organization to extend the same conditions of access, with respect to duties and non-tariff barriers, to all members of the organization. There are provisions and precedents for derogations applying to specific products or within the context of a regional trade arrangement but these are subject to consideration or approval by the GATT members.

C) Do we need a comprehensive arrangement?

72. Proposals have been advanced that Canada and the United States initiate negotiations aimed at a comprehensive bilateral trade arrangement. The Canadian Manufacturers Association, the Chamber of Commerce and the Canadian Exporters Association have suggested that this approach be examined. A comprehensive agreement which provided for the removal of tariffs and non-tariff barriers on substantially all bilateral trade would conform with GATT requirements. As in the case of sectoral and functional arrangements, implementation would require Congressional and Parliamentary approval of the Agreement and action to implement the changes in existing legislation ensuing from the agreement.