

Existing Barriers to Trade Between Canada and the United States: The Challenge of Free Trade



Introduction

Throughout the postwar period, through successive rounds of multilateral trade negotiations under the GATT and a few sector-specific trade agreements, Canadian and U.S. tariffs have been sharply reduced. However, tariffs continue to be significant for a considerable number of industries. As well, non-tariff barriers (NTBs), such as quantitative import restrictions and discriminatory government purchases, have increased in importance over the years. Moreover, growing protectionist sentiment in the United States and elsewhere in the world now threatens the progress that has been made in reducing barriers to trade.

This chapter reports on the results of a quantitative analysis of existing trade barriers between Canada and the United States, and indicates how these trade barriers will be eliminated or reduced as a result of the Canada-U.S. Free Trade Agreement.

Historical Declines in Trade Barriers

The Canada-U.S. Free Trade Agreement is, for Canada, another step in an historical trend in trade liberalization. This can be seen in Chart 5 which presents the ratio of Canadian duties collected to the value of imports from all countries, for the 1945 to 1985 period. The chart shows a marked downward trend in this ratio in the period after 1955, which includes four rounds of multilateral trade negotiations under the GATT, and several sector-specific trade liberalization agreements. The Kennedy and Tokyo GATT Rounds, in particular, brought significant reductions in the rates of tariff protection. The Auto Pact also

contributed significantly to the reduction in Canada's average tariff rate. Chart 5 also presents the ratio of duties collected to dutiable imports only. This ratio shows less of a downward trend, indicating that imports that continue to be restricted can still face high rates of protection.

An examination of the average Canadian tariff on imports from the United States provides another perspective on the extent to which trade barriers have been reduced in the postwar period. For example, the average Canadian tariff rates⁽⁷⁾ applicable to all imports from the United States, including both dutiable and non-dutiable goods, declined from 14 per cent in 1960 to 4.5 per cent in 1987. This decline indicates that significant progress has already been made toward reducing our bilateral trade barriers with the United States. Yet further steps are needed if the full economic benefits of free trade are to be realized in both countries.

Existing Permanent ("Standing") Barriers to Canada-U.S. Trade

In reviewing the current barriers to trade between Canada and the United States, it is instructive to distinguish between "standing", or permanent, barriers, and protectionist measures that are "contingent" on proof of injury to domestic producers, and which are generally temporary. This section examines the existing "standing" trade barriers between Canada and the United States.

Standing trade barriers analyzed in this document include tariffs and certain non-

⁽⁷⁾ These tariff rates differ from those presented in Chart 5 in that they apply to imports from the United States only and because production weights rather than import weights are used to calculate the average tariff rates. This methodology is discussed in detail in Annex 2.