

## GATT IMPLICATIONS

Is it necessary to include auto trade to meet the trade coverage envisaged in GATT Article XXIV:5? It is not clear that this is necessary. Must the trade between Canada and the U.S.A. be free on a statutory or de facto basis? Surely we could argue that de facto free trade over a period of twenty years is free trade. Very careful analysis should be given to this issue, which we have not attempted to do in this paper.

If Canada included autos in a comprehensive bilateral agreement we would almost certainly have to reduce our tariffs on a preferential basis for the United States. If we did not meet the criteria of GATT Article XXIV, Canada would not seek a waiver under GATT Article XXV to extend these preferences. Our present system does not require a waiver. The U.S. has had a GATT waiver since 1965. A GATT waiver requires approval by two-thirds of the Contracting Parties. It is considered highly unlikely that Canada would obtain approval of a waiver.

Even if Article XXIV criteria were met, other Contracting Parties might consider that moving from remissions to preferential duty free access had the effect of raising a duty inconsistently with Article II (even though the remissions are not bound) they might then pursue their perceived right to seek concessions to restore the balance, under Articles XXIV and XXVIII, and possibly XXIII. Experts we have consulted suggest they would not have a substantive case.