

THE REALITIES OF TRADE NEGOTIATIONS

74.5

Canada and the United States have the largest trade exchange in the world.

In 1985 it totalled some US \$150 billion in goods and services. Each country is the other's best customer. The trade, which was once heavily restricted, has grown progressively freer and enormously more profitable.

Both countries are signatories of the General Agreement on Tariffs and Trade (GATT).

Canada's agreement to reduce industrial tariffs in the Tokyo Round of negotiations concluded in 1979 was a major breakthrough. By 1987 about 80 per cent of Canada-U.S. trade will be tariff-free and another 15 per cent will be subject to tariffs of 5 per cent or less.

Both governments have pressed for a new round of GATT negotiations, but there seems to be little chance that one will be completed before 1990 and its implementation would take several years.

The GATT has contributed enormously to the growth of global trade, but it does not address a number of problems that require solutions.

It does not, for example, apply to the increasingly important trade in services, which include banking, insurance, entertainment and the hiring of experts, consultants and advisors.

The GATT also does not address the extensive use of non-tariff barriers, which have had significant negative effects on the flow of goods.

Finally, it does not provide a swift, sure means of resolving the trade disputes that inevitably occur.

A bilateral pact between Canada and the United States would be designed to take place within the GATT framework.

A special joint parliamentary committee on Canada's international relations concluded that such an agreement could "parallel and co-exist" with multilateral agreements and would not preclude other bilateral agreements that either country might wish to make.

Some Barriers

Tariffs: Many products are tariff-free. Negotiations would aim at eliminating all others.

Anti-Dumping Duties: Exports priced significantly below the domestic market are said to be dumped. Dumping often occurs in response to tariffs imposed by the importing country, and would be less frequent in a duty-free exchange. Negotiations would consider methods for dealing with dumped goods and for avoiding the exchange of goods dumped by third countries. One option might be the signing of a separate bilateral agreement, concerned with dumping only.

Subsidies and Countervailing Duties: Subsidized exports may do significant harm to competing industries in the importing country. The usual response is to impose a duty on the subsidized product. Clear definitions are needed.

The pact could be as inclusive in the area of trade as the two countries wished but it would not, in any case, involve either a common market (which would allow the free movement of labour and capital) or a customs union (which would have standardized barriers to external trade).

Any agreement would provide for enough time for trade adjustments and adaptations—including the phasing-in of changes in trade barriers—which in some cases might be as long as ten years.

Safeguards: Duties or quotas are sometimes imposed on fairly traded imports, causing serious injury to domestic industries. Some authorities believe they could be eliminated completely, others that they should be used in emergency situations.

Balance-of-Payment Restrictions: Temporary, across-the-board import restrictions or surcharges have been used to correct severe imbalances in international payments.

Government Procurement: Governments on various levels often give preferential treatment to domestic manufacturers.

The elimination of all such preferences would require the cooperation of all the governments.

Other Non-Tariff Measures: Variations in laws governing patents, copyrights and licenses sometimes inhibit trade.

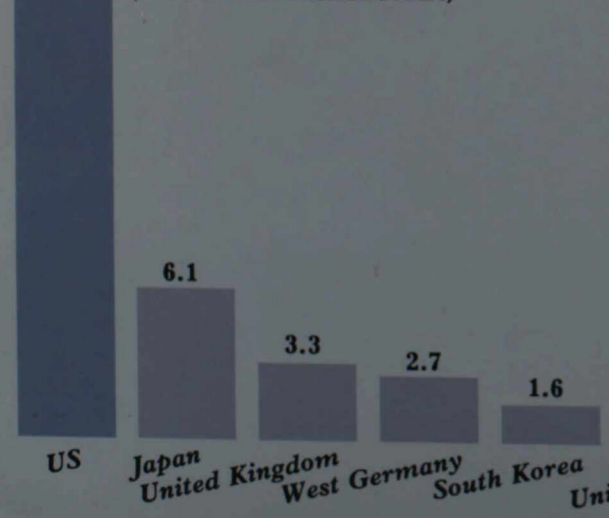


Andrew Clark, Prime Minister's Office



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Canada's Top Sources of Imports in 1985
(In billions of Canadian dollars)



Source: Statistics Canada

United States' Top Export Markets in 1985
(In billions of US dollars)



Source: U.S. Department of Commerce

United States' Most Important Trade Relationships in 1985
(In billions of US dollars)



Source: U.S. Department of Commerce

A Gala in a Tent

The last ceremonial gala took place in a huge tent at the Canadian Ambassador's residence overlooking Rock Creek Park. Prime Minister Mulroney was the host, Vice President Bush the guest of honour.

A rainstorm had been forecast but none came. The night was warm, the moon was bright, the guests were glamorous and the menu strikingly Canadian: Château des Charmes Chardonnay from Ontario, Prairie Golden Caviar, Nova Scotia Salmon, Newfoundland Halibut and Quebec Maple Surprise, as well as Médaille de veau cressonnière, Nid de pommes de terre farci aux légumes, Champignons farcis Mireille, and Sonoma Valley Gundlach Bundschu Cabernet Sauvignon. There was also a maple leaf

birthday cake for the Prime Minister, who turned forty-seven the next day.

THURSDAY

THE Prime Minister took official leave of Washington beside the Reflecting Pool between the Washington Monument and the Lincoln Memorial. Once more cannons boomed and bands played. The Mulroneys walked down a red carpet and climbed into a helicopter and were carried off to their Canadian jet at Andrews Air Force Base.