

65. The sector initiative, launched by Canada in 1983, was aimed at the careful examination of the scope for agreement in four sectors encompassed in a joint work program with the U.S.: steel, urban transit equipment, agricultural inputs and equipment, and informatics. The motivation for the first three has been improved and more secure access to the U.S. market: in the case of steel, to negotiate not only the removal of U.S. and Canadian tariffs but, more importantly from the Canadian perspective, a contractually binding exclusion from protectionist tariff increases or import quotas; in urban transit, to obtain the removal of government procurement preferences; and, in agricultural inputs and equipment, to extend the scope and enhance the security of existing tariff-free trade. The inclusion of informatics responded to U.S. government interests and to the Royal Bank proposal for a Canada-U.S. agreement to maintain an open border for data flow. In addition, petrochemicals, beef, and non-ferrous metals have been proposed by Canadian industry. The Alberta government also proposed examination of the first two. The U.S., following a canvass of their industry, indicated potential interest in forest products, furniture, alcoholic beverages and cosmetics.

66. As regards the functional approach, negotiations could specifically address government procurement or contingency protection measures such as emergency safeguards and countervailing duties. On emergency safeguard measures dealing with disruptive but fairly traded goods, the question is whether it would be possible to establish mutual exemption from measures of general application aimed primarily at disruptive imports from third parties. In the area of countervailing duties, the major focus would probably be on definitions of countervailable subsidies and material injury. This would involve negotiations on the permissible use of subsidies.

67. Government procurement is already the subject of a GATT code but its scope does not go far enough in covering purchases by entities of products of key interest to Canada, i.e. urban transportation equipment, nor does it prevent the increasing proliferation of discriminatory practices by state and provincial governments. One approach would be to extend the coverage of the GATT code on a bilateral basis to entities purchasing products of interest to Canada and the U.S.. Another, broader approach, would be to eliminate preferences for domestic suppliers on a Canada-U.S. basis, i.e. the extension of "national treatment".

68. The sector and functional approaches present issues of balance and symmetry. Any sectoral arrangement would need to be perceived by the industries of both