

My subject this evening is the politics of trade, and more specifically of Canada-United States trade.

From my vantage point on the banks of the Potomac, it is chiefly the political forces operating in the United States that enter my range of vision. I shall begin, however, by making a point that is often missed in the debate over free trade in Canada. Listening to the Canadian debate, one gets the impression that the issue is whether we should embrace the United States commercially. In fact, this issue is already behind us. Whether we like it or not, Canada already is deep in the economic embrace of its southern neighbour.

To illustrate the extraordinary extent of this commercial integration, one need only compare the proportion of Canada's trade with the United States, with the proportion of West Germany's trade with the other member States of the European Community. Last year about 80 per cent of Canada's trade was with the United States, while 60 per cent of West Germany's trade was with the 11 other member States of the Community. The proportion of France's trade with the rest of the Community is also about 60 per cent, while the figure for the United Kingdom is somewhat less. If we take a smaller member of the Community, say the Netherlands, the figure is about 70 per cent. These comparisons show that in practical terms the level of market dependence among the member States of the Community is less than the level of Canada's market dependence on the United States.

In the case of Europe, this integration has been effected over a period of 30 years through the application of positive policy measures, such as the elimination of tariffs and contingency protection and the harmonization of competition law.

In the case of Canada and the United States, this phenomenon has occurred not so much because of as in spite of government policy, by the inexorable forces of geography and economics. This process has, of course, been facilitated by the progressive lowering of trade barriers, and tariff barriers in particular, as a result of the seven rounds of multilateral trade negotiations concluded since World War II under the auspices of the GATT. But since the GATT has also reduced barriers with Canada's other trading partners without having nearly as great an effect on bilateral trade flows, we must conclude that it is the geographic and economic forces, abetted perhaps by cultural affinities, that have been at work.

The problem with an integrated market fashioned by economics, rather than by politics and law, is that there is a minimal extra-national legal framework governing that market.

In the case of Canada and the United States, apart from exceptional sectors such as automobiles and defence, the trading relationship is governed only by the GATT. While the progress achieved in liberalizing international trade under the GATT has been