

reality of decentralization of U.S. power and the need, in some form, for supranational management or dispute settlement.

Meanwhile other forces, equally pervasive but more insidious, were complicating our ability to deal with the United States.

For decades, Canada worked with the U.S. in multilateral bodies to abolish or reduce all tariffs. We succeeded perhaps better than we knew. By the beginning of the 1980s, two thirds of our goods were crossing the border duty-free and the tariffs on the rest averaged only about 9 per cent.

In large measure, we had gained free trade with the U.S., but we realized we had, as a result, become subject to a new type of vulnerability. The GATT had removed tariffs but it had not constructed, in parallel, effective measures to settle trade disputes. When tariffs were replaced with an explosion of non-tariff barriers, that is to say, when neo-protectionism spread its shadow across the world's largest trading relationship, Canada, the more dependent and vulnerable partner, had no objective mechanisms, no shield other than retaliation, to cope with the threats.

By 1983, when the Trudeau government proposed sectoral free trade, there was a rapidly growing realization in Ottawa that the status quo was unstable and potentially unfavourable to Canada. Hence, new moves in the trade field were urgently necessary to create protective mechanisms against trade harassment and neo-protectionism.

Thus was born the consensus within government circles that bilateral institutional mechanisms were essential to protect Canada's economic interest from protectionist initiatives inspired by special interests and Congress.

The free trade negotiations were mounted at the same time as we were experiencing the nastiest trade dispute with the U.S. in our history. We learned from the softwood lumber countervail that Canada's largest industries were at the mercy of U.S. administrative tribunals subject to political pressures generated by Congress. At the very same time, we saw the rise of unilateral action in U.S. trade relations and the appearance of powerful new legislative instruments in support of unilateralism. The political