

CATA provides for the exchange of tariff preferences on a broad range of products and places Canadian trade with Australia on a more favorable basis than virtually any other trading partner. An Exchange of Letters was signed in 1973 to supplement CATA and to provide for continuation of preferences that had been derived from each country's bilateral agreement with Britain prior its joining the European Community.

Those preferences have played an important role in the development of Canadian exports to Australia, and have enhanced the competitiveness of Canadian manufactured goods there. The preferences have also encouraged companies without previous export experience to look first at Australia since market demand is similar and the novice exporter has an advantage over non-preferential suppliers.

Both governments have accepted that trade and economic relationships should be re-examined now that the Multilateral Trade Negotiations have been concluded. The review is under way. Canadian businessmen and provincial governments were invited last fall to present their views concerning future trade and economic relations with Australia. The general view expressed was that, although certain problems had arisen in the operation of the agreement, and some of the preferences had been eroded over the years, the existing bilateral preferential arrangement still provides important benefits to Canadian exporters and should be maintained or improved to the extent possible. In spite of the long distances involved, it provides Canadian exporters with both a cost and psychological advantage over much of their competition. The main conclusion to be drawn from these representations is that it would be in Canada's interest to maintain and, where practical, to improve the existing preferential trade relationships.

Should the agreement be renegotiated, both governments will also need to consider whether it would be useful to include in any new agreement provisions designed to foster investment and joint ventures. Canada does not have a joint trade and economic committee with Australia, as it does with a number of other countries, although both the 1960 Trade Agreement and the 1973 Exchange of Letters provide for consultation on a broad range of matters. Given the rapid changes that are expected to take place in the trade and economic environment in the next decade, an effective consultative mechanism may be beneficial to both sides. It is expected that the two governments will meet late in 1981 to determine the shape of future bilateral arrangements.

Issues now affecting Canadian export interests in Australia include: the establishment some years ago of import controls on aluminum; a support value for duty system on industrial