

Options for Canada-U.S. Trade Relations

60. Against the background of the importance of the U.S. market for Canada and the imposing battery of actual or potential barriers to Canadian exports, Canadians need to explore, urgently and with the greatest care, how best to secure and enhance market access to the U.S..

A) Should we continue as we have in the past?

61. The Canadian response to the protectionist threats of the last two to three years has been the invocation of Canadian rights under the GATT, combined with a co-ordinated and integrated effort designed to bring home to U.S. interests, our mutual stake in maintaining market access. In one case, specialty steel, Canada availed itself of its GATT rights to take action against U.S. exports to Canada when the U.S., under its emergency safeguard legislation, imposed additional duties and instituted an import quota on Canadian exports. In other cases, notably the threat against carbon steel in 1984, Canadian efforts emphasized that U.S. restrictions on Canadian steel would reduce U.S. exports to Canada of coal and iron ore. Canadian efforts drew together the federal and concerned provincial governments and the private sector into a joint effort to preserve Canadian access. There is clearly scope to step up these efforts and buttress them with an improved early warning system to gather and pool information on protectionist threats as they emerge and to initiate defensive action at an early stage.

62. However, continuation of the present situation may not adequately serve Canadian economic interests with the U.S. in a tougher international environment.

B) Could we negotiate sectoral or functional arrangements?

63. Canada and the U.S. could initiate negotiations toward either sector, or "functional" arrangements. The scope of such arrangements would go beyond existing GATT rules and agreements in terms of secure and enhanced market access. Such arrangements would have to be approved by Congress and implemented in U.S. legislation. Similar action by the Canadian Parliament would be necessary respecting changes in legislation ensuing from such arrangements.

64. Two agreements of the sectoral type already exist with the U.S.: the Canada-U.S. Defence Production Sharing Arrangement and the Auto Pact. The former provides for virtually unrestricted trade in defence products; the latter provides for tariff-free trade for new automobiles and most original parts, subject on the Canadian side to certain production and value-added safeguards and a limitation of rights to designated importers.