

requested for August 23, 1985, on Canada-United States trade (and also on the question of Canadian participation in the United States' Strategic Defence Initiative). On Canada-United States trade, the committee recommended that early preliminary discussions be held with the United States on ways to secure and enhance each country's access to the other's markets.

The impetus for holding discussions with the United States on a new Canada-US bilateral trade arrangement was furthered in September 1985 by the publication of the final report of the Royal Commission on the Economic Union and Development Prospects for Canada (MacDonald Commission) which recommended, *inter alia*, free trade between the two countries.

This complex evolutionary process culminated with the September 26 statement in the House of Commons by the Prime Minister, expressing Canada's interests in pursuing a new trade agreement with the United States.

In view of the priority attached by the government to Canada-United States trade, a synopsis is provided below of Mr. Kelleher's Discussion Paper "How to Secure and Enhance Canadian Access to Export Markets".

Introduction

In January, 1985, the Minister for International Trade, Mr. Kelleher, released a Discussion Paper under the above title. The reason was the overwhelming importance of international trade to the Canadian economy and the need to assess the most effective means to promote it. Exports now account for almost one-third of Canada's gross national product and over three million jobs. It is estimated that every additional \$1 billion exports means 16 000 more jobs in Canada. During the past decade, Canada's position among the world's trading nations fell from fourth to seventh, largely due to our declining competitiveness in the international marketplace.

The Discussion Paper provides a focus for consultations with the private sector and the provinces, and is intended primarily to elicit views on the principal market access problems facing Canadian exporters, and on matters relating to access to the Canadian market.

The Paper is divided into three sections. The first outlines the international setting for

market opportunities and the international environment that conditions Canada's search for improved access to markets. The second considers Canada's involvement in the next round of multilateral trade negotiations, which could begin during 1986. The third addresses possible bilateral approaches to Canada-US trade relationships, reflecting the special importance to Canada of the American market.

The Discussion Paper is designed to obtain views from the private sector in order to prepare for the next round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). Canada remains committed to the GATT, but the government wishes to examine possible bilateral initiatives with the United States which could reinforce efforts being sought through multilateral trade negotiations. Four options are set out for Canada-US trade relations: (1) continue as in the past; (2) initiate negotiations towards either limited sectoral or functional arrangements; (3) initiate negotiations aimed at achieving a comprehensive bilateral arrangement that could lead eventually towards barrier-free trade; (4) establish a framework agreement that would set the stage for subsequent negotiations aimed at achieving a comprehensive bilateral agreement.

On issuing the Discussion Paper Mr. Kelleher emphasized that the choice for Canada is not between multilateral and bilateral approaches to trade, but how both avenues can be pursued in a mutually reinforcing manner.

Part I: Canada's Export Markets and the International Trading Environment

The United States has become by far Canada's most important export market, taking more than 75 per cent of our total exports, and involving nearly the whole range of Canadian production and all regions of the country. By comparison Japan, our second biggest customer, takes 5.2 per cent, Britain 2.6, the USSR 2.0 and China 1.8 per cent.

Protectionist pressures are rising in the United States. In view of the potential threats facing Canada in the US, the key question is whether our objectives can be met through bilateral arrangements and, if so, which approach is more likely to assure Canada's success.