

January 1988

## Discussion following the Remarks of Mr. Alan Wolff and Mr. Frank Stone

Discussion

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### Recommended Citation

Discussion, *Discussion following the Remarks of Mr. Alan Wolff and Mr. Frank Stone*, 10 Can.-U.S. L.J. 251 (1985)

Available at: <https://scholarlycommons.law.case.edu/cuslj/vol10/iss/37>

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## Discussion Following the Remarks of Mr. Alan Wolff and Mr. Frank Stone

*QUESTION, Professor Henry King, Jr.:* Mr. Wolff, you've talked about both bilateral and multilateral negotiations. There is a lot of time involved in the procedures and consultations needed to reach agreements like this. What do you see as the time-frame for these negotiations? Also, how do the bilateral and multilateral talks relate to each other?

*ANSWER, Mr. Wolff:* The time-frame for a new round of multilateral negotiations is going to be a matter of several years, probably after the Reagan administration, though we would like to start in early 1986. The United States is not well advanced in the new areas of negotiation—services and high technology—so those areas will take longer to negotiate.

I think it would be ill-advised to await the beginning of the multilateral negotiations before beginning the process with Canada. It will be difficult to carry on both bilateral and multilateral negotiation simultaneously. If we are serious about talks with Canada, we should start them now, lest the idea be set aside when the multilateral process begins.

*QUESTION, Professor King:* Mr. Wolff, to what extent will the U.S.-Israeli Free-Trade Agreement be a model for a U.S.-Canada agreement?

*ANSWER, Mr. Wolff:* It is a model in terms of procedure: after negotiations take place, various statutory requirements under the Trade Act of 1984 are fulfilled, and the agreement is finalized and put into force. It is not a political precedent—it was not a particularly controversial agreement. It was a political gesture to a group of voters in the United States and I don't recall much opposition in Congress. There will be contentious and complicated issues in U.S.-Canada free-trade negotiations. Also, there is too much in the way of economic interests at stake in a U.S.-Canada agreement to push it through the process like the Israeli agreement was.

*QUESTION, Professor Robert Hudec:* Mr. Wolff, you described the process of the U.S. and Canada negotiating a free-trade agreement as a mosaic process. Will a mosaic process work if the objective is a comprehensive free-trade agreement, where the pieces should all be the same?

*ANSWER, Mr. Wolff:* Every piece won't be the same, the document will not be one line saying "everything is now open." There are particular problems which will have to be dealt with individually. There are problems pertaining to the provinces—with the Liquor Boards, for example. Tariffs on seasonal vegetables will have to be worked out. There will

be a problem with how to deal with countervailing duties and government subsidies; whether limits will be set or general approval given. It is still going to be a mosaic document when it's completed. A politically acceptable package will have to be put together, dealing with these and other important interests.

*QUESTION, Professor King:* Mr. Wolff, do you think there will be transition periods with a U.S.-Canada agreement, or will there be total implementation at one time; is this going to be a continuing process over a long time frame?

*ANSWER, Mr. Wolff:* I believe transitional steps will be part of the process here, but it must be understood that there is distrust on both sides with respect to transitional arrangements. In the AutoPact, the side-letters were considered transitional, but they never disappeared. There will be a transition using cuts in the tariff before free-trade is achieved. But, with respect to the difficult issues, those should not be put off. They must be dealt with while the momentum for the total agreement still exists, when there is still a political commitment to get something accomplished.

*QUESTION, Mr. Ivan Feltham:* I'd like to ask both gentlemen to comment on the process by which consultation with the private sector can take place, and in particular on the availability of current confidential information. It was my impression that during the Tokyo Round the government negotiators had much better access to information and, therefore, were in a much better position to contribute to the process than were the private sector participants.

*ANSWER, Mr. Stone:* My understanding is that the private sector is expressing greater interest in establishing a more elaborate and effective method of consultation during both multilateral and bilateral negotiations. The intentions of the Canadian government in this regard are unclear. The government has not set up a structure for consultation for either multilateral or bilateral negotiations.

This is worrisome for two reasons. One, there is a time element: unless things start moving soon the opportunity may be lost—some have said it could be lost until the next century. Secondly, if nothing moves on the Canadian side, then nothing will happen from the American side. It seems imperative to create a structure that includes appointing a chief negotiator and setting up a consultative mechanism with the private sector and the provinces. The Minister for International Trade, the Honorable James Kelleher, will soon complete a series of cross-country consultations, from which we expect proposals to the Cabinet in this regard.

*ANSWER, Mr. Wolff:* In the case of the United States government, the negotiators are given a set of positions for use in talks with a foreign government. The advisory committees are given the negotiating documents and full information regarding the negotiations. Negotiating in-

formation is kept to only these few people because one cannot negotiate every position in a fishbowl. The private sector advisors have access to this information but they may not disclose it to others in the industry or to the public. This process works well, it allows the negotiators to receive technical and political advice needed to move forward in the talks.

One point about timing for a Canada-U.S. agreement: the United States trade establishment is in a flux now—a new Trade Representative is organizing his office. If Canada wishes to take advantage of an opportunity to negotiate with the U.S., it would make sense to seriously indicate so now, while the new team is being put into place and reorganized. Such indications might influence the reorganization, so that people are placed in positions dedicated to deal with bilateral negotiations with Canada.

