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MAKING TRADE DECISIONS IN CANADA

(1968-1978)

by

David R. Protheroe

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A Thesis submitted to the Faculty of
Graduate Studies and Research in partial
fulfilment of the requirements for the degree of
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Carleton University

Ottawa, Ontario

Canada

January 1979

The undersigned hereby recommend to the Faculty of
Graduate Studies and Research acceptance of this thesis, submitted
by David R. Protheroe, in partial fulfillment of the requirements
for the degree of Master of Arts.

John H. Sigler, Director,
The Norman Paterson School of International Affairs

Payton V. Lyon,
Supervisor

ABSTRACT

This thesis examines the structures and interactions of the "trade policy-making process" in Canada during the period 1968-1978. Using as a starting point a "framework for analysis" of trade policy-making, it attempts to assess the applicability of various models of foreign policy decision-making to the analysis of Canadian trade decisions between 1968 and 1978. The emphasis here is on decisions relating to tariff and non-tariff barriers to trade. Profiles of the major governmental and private sector actors, analysis of the typical interactions between these actors, and two case studies, on the Canadian General Preferential Tariff and quantitative restrictions on "low cost" textile imports, provide the main data upon which conclusions are based. The research concludes that there is no one "correct" model of trade policy-making in Canada, but that at least three - the "governmental politics", "rational actor" and "accommodation" models, may characterize the decision process, each under varying circumstances.

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Introduction

Aid is so marginal that no longer is it possible for developed countries to adopt a facile aid-centric view of development. Henceforward aid is only viable as a complement to equitable trade and investment policies.

Paul Gerin-Lajoie, 1974.

When the former president of the Canadian International Development Agency spoke these words¹, the various federal government departments having international responsibilities were engaged in a re-examination of Canadian policies in a number of fields which affect the developing world. The result of that policy review, a Government of Canada (and not simply CIDA) document entitled Strategy for International Development Cooperation (September 1975) proclaimed, more guardedly this time:

In renewing its firm commitment to international development cooperation, the Government undertakes to harmonize various external and domestic policies which have an impact on the developing countries, and to use a variety of policy instruments in the trade, international monetary, and other fields in order to achieve its international development objectives... The Government will carefully weigh the alternatives and trade-offs between aid and non-aid instruments in particular circumstances in order to find the most appropriate balance for the pursuit of development objectives.²

One is struck by the quite different tone of the two quotations. The one, made by an individual at the helm of Canada's official institution most concerned about the problems of international development, gives paramount importance to the non-aid instruments such as trade measures as means of improving the welfare of the Third World. The other, a consensus document of the Government of Canada and reflecting

the views of a variety of individuals and government institutions, more modestly places the non-aid measures at the level of additions to the traditional means of development cooperation that has been aid.

This example was used to illustrate the point that expressions of foreign policy objectives (and going beyond this, precise foreign policy decisions and implementations) are in some way affected by the structures in which and the interactions through which such expressions and decisions are made. In the case above, a set of interactions took place within certain structures which explain the striking difference between one individual's view of the relative roles of aid and non-aid instruments in promoting international development and the view of the government taken as a whole. These structures and interactions we call the "policy-making process".

The study of policy-making structures and interactions has become an important field of inquiry for political scientists in recent years, particularly but not exclusively in the United States. The writings of Allison and Halperin³ have played an especially useful role in sensitizing political scientists, particularly foreign policy analysts, to the importance of process in the determination of policy outcomes. One need not accept their particular preferred theory (i.e. the "bureaucratic politics" model) as the correct or only illustration of how process affects outcomes to grasp the general principle that outcomes are better understood by recourse to examination of policy structures and interactions.

In Canada the importance of process in determining policy outcomes has perhaps been most apparent in the research of students of Canadian public administration⁴. Analysts of Canadian foreign policy have so far invested little energy in examining the process-outcome relationship,

by and large preferring to concentrate on evaluations of policy outputs, with a handful of notable exceptions⁵.

Trade policy, one of the major components of Canada's foreign policy, has received almost no examination at all from the perspective of process. This thesis attempts to fill part of this gap by examining the actors, structures and patterns of interaction in the making of Canadian trade policy in the Trudeau years. It includes a macro level approach to these problems and a more detailed look at the trade policy-making process via two case studies.

Consideration of the trade policy process in Canada is important for several reasons. First, trade policy itself has always been an issue of great public import to a country as dependent on international trade as Canada. This impact will likely be heightened in the near future as Canada is forced to adjust to the new realities of the post-Tokyo Round world and the "new international economic order". Second, this research does indicate that trade policy outcomes are significantly affected by the structures and patterns of interaction which we refer to as the trade policy-making process. Third, informed debate on Canada's trade options by academics and other interested citizens would benefit from keener awareness of the process through which government decisions are formulated and carried out.

Finally, a study of process in the issue area of trade policy should add something to those existing studies of process in Canadian foreign policy. Thordarson's study of the 1969 NATO decision and the 1970 foreign policy review, Stairs' of the decision to enter the Korean War, and Lentner's of the 1963 decision on nuclear weapons

all dealt with relatively unusual events: a fundamental shift in the political dimension of foreign policy, a "pause" for reflection from ongoing problems, an international crisis, and a major election issue.

The issues in the present study are by contrast largely economic, ongoing and non-crisis issues where actors are not generally under severe time constraints. They concern more the "nuts and bolts" of foreign policy than the headline grabbing issues studied by the analysts above. By examining them in terms of policy process, we can contribute to a fuller more balanced range of foreign policy case studies available to analysts and students.

The concept of trade policy deserves fuller definition. It includes a range of activities which, although interrelated, can and should be distinguished.

At base, "trade policy" refers to the management by governments of the flow of goods across borders and the encouragement of conditions perceived as necessary to the proper management of this flow. But trade policy is never an end in itself. It is invariably directed toward the attainment of various domestic and international economic, political and social goals (for example, full employment in the shorter or longer term, maximum exploitation of comparative advantages, regional growth, electoral politics, international diplomacy): The difficulty in achieving the "proper" trade policy arises out of the facts that people disagree as to the priority of goals to be served, both within and outside government, and that the goals themselves conflict with one another. Not only are trade policy makers faced with diverse pressures from foreign and domestic interests, but the use of trade instruments in the service of one goal may reduce governments' ability to pursue other important goals.

We would distinguish two basic types of activity involved in trade policy-making:

- a) decisions to change or not to change tariff and non-tariff barriers to the movement of goods across borders. The source of such decisions may be domestic (e.g. in response to interest group claims or as a result of some governmental actor's goals), bilateral, or multilateral (through the GATT or UNCTAD).
- b) the encouragement of domestic and international conditions thought necessary to the management of imports and exports. This would include:
 - i) institution-building and establishing legal frameworks for the flow of goods and changes in barriers (e.g. building the GATT during the 1940's, commodity agreements, adapting the GATT legal framework to new circumstances),
 - ii) programmes of export promotion (e.g. the Canadian trade commissioner service, export credits, trade fairs and missions),
 - iii) domestic programmes to support changes in barriers (e.g. adjustment assistance measures).

This thesis will examine the trade policy-making process in Canada during the Trudeau period 1968-78 on a selection of these activities. The accent will be placed on decisions relating to tariff and non-tariff barriers, although some passing attention will be afforded the encouragement of conditions deemed necessary to the management of exports and imports. In-depth consideration will be given to two issues in the form of case studies on the Canadian General Preferential Tariff and the use of quantitative restrictions against so-called "low-cost" manufactured goods in the 1970's. Less detailed but still substantial treatment will be afforded the tariff-setting process in general and the Multilateral

Trade Negotiations. In order to keep the research manageable, some important areas of trade policy are given only cursory coverage: these include commodities agreements, programs of export promotion, the anti-dumping system and surtaxes.

Our examination of the trade-policy making process includes, as noted above, consideration of the structures and the interactions of the process. By "structures", we refer to the characteristics of the actors in the process, patterns of actor participation and alliance/cleavage in the system, the arenas in which policy is made, and the "rules of the game" in the form of Canadian legislation and international law and institutions. As regards "interactions", we shall consider the relevance of various models of decision-making which shed light on the dynamic of the policy process.

This study focuses on specific decisions of government as its dependent variables. Our approach, emphasizing the structures and interactions of the intragovernmental policy process as the path toward explaining decisional outputs, is of course not the only one possible. Most existing studies of Canadian trade or commercial policy have implicitly employed orientations other than a process focus -- "implicitly" because we are aware of no specific studies of the making of trade policy in Canada, as opposed to economic and political evaluations of options and past decisions. Three such implicit approaches are common.

What might be termed an "environmental approach" attempts to explain decisions in terms of the prevailing economic and diplomatic environment. The argumentation runs approximately: "Decision X, a protectionist decision, was made because the economy was in a 'downturn'".

The implicit proposition from which such statements are deduced may well be promising, but empirical evidence indicates that it is only a partial explanation. There are of course many historical examples of protectionist outcomes in good times, and of liberalizations in bad times. A second implicit approach, which might be termed the "substantive approach", explains outcomes by reference to the perceived merits of the case. An example might be: "Canada is moving to a low tariff policy in the Tokyo Round because of said requirements of the Canadian economy and manufacturing sector". There is something in this argument, but the value judgement is obvious and in any case there is ample historical evidence of trade decisions not being in tune with the "requirements" of the economy. A third approach might be dubbed a "political model", which explains in terms of politicians' reactions to interest group and foreign pressures. Again, the approach contains insight, but ignores or runs the risk of overlooking the massaging of such inputs that often takes place within the complex apparatus of government.

Each of these implicit approaches can contribute to our understanding of trade policy decision-making. We have, however, chosen what we consider a more comprehensive "policy process approach" which encompasses the above implicit approaches and more. Decisions are explained by tracing the actions, arguments (which include these factors) and the interactions of actors within certain structures and environmental conditions. We thus hope to avoid the biases of the "substantive approach" and the assumptions of the "environmental" and "political" approaches. This "look inside government" is perhaps more difficult,

or data than the implicit approaches, but it seems potentially more rewarding in terms of developing a theory of trade policy-making.

~ The majority of the data presented in this thesis were collected from approximately 100 interviews conducted in Ottawa between Summer of 1977 and the Spring of 1978 with public servants, politicians and interest group representatives. The voluminous academic and government literature on Canadian commercial policy has been consulted for background and historical information, but it largely proved inadequate for a consideration of the policy process (as opposed to outputs); hence the necessity of personal interviews. We recognize the limitations of the interview technique, but hope that our habit of checking sources against other sources as well as the fairly large numbers of interviews conducted will reduce errors to a minimum.

NOTES - INTRODUCTION

- 1 Canadian International Development Agency, The Development Crisis and the Canadian Dilemma, a speech by Paul Gerin-Lajoie, President of CIDA, at Queen's University, 28 November 1974.
- 2 Canadian International Development Agency, Canada: Strategy for International Development Cooperation, 1975-80, Ottawa, Information Canada, 1975.
- 3 See for example, Allison, Graham T., Essence of Decision, (Boston: Little, Brown and Company, 1971), Allison, Graham T. and Halperin, Morton H., "Bureaucratic Politics: A Paradigm and Some Policy Implications", World Politics, Spring 1972.
- 4 Doern, Bruce and Aucoin, Peter, The Structures of Policy Making in Canada, (Toronto, Macmillan, 1971).
- 5 Stairs, Denis, The Diplomacy of Constraint, (Toronto: University of Toronto Press, 1974), Thordarson, Bruce, Trudeau and Foreign Policy, (Toronto: Oxford University Press, 1972), Lentner, Howard H., "Foreign Policy Decision-Making: The Case of Canada and Nuclear Weapons", World Politics, October 1976, Kirton, John, The Conduct and Coordination of Canadian Government Decision-Making Towards the United States, unpublished doctoral dissertation, Johns Hopkins University, 1977.

PART A: Chapter I

SOME THEORETICAL APPROACHES TO TRADE AND FOREIGN POLICY-MAKING AND
THEIR USEFULNESS TO THE ANALYSIS OF TRADE POLICY DECISION-MAKING
IN CANADA

This chapter will examine two previous efforts by an economist and a political scientist to analyse the making of trade policy and, more generally, foreign policy. In accordance with the simple and familiar input-process-output model of government decision-making, we shall consider Professor Ingo Walter's "analytic framework" for the study of trade policy as an approach to the input side and Professor Graham Allison's well-known models as alternate approaches to government decision-making processes¹. These two efforts in combination should aid considerably in our analysis of Canadian trade policy-making.

Walter's and Allison's works fall considerably short of a full-fledged theory of trade or foreign policy-making. We shall treat the Walter analysis as an analytic framework which lists and categorizes all of the important factors or inputs which go into the making of any government's trade policy. Allison's models (the so-called "rational actor", "organizational process" and "bureaucratic politics" models) are to be seen as alternate ways of describing the dynamics of the decision process. Each of the models selects several of the range of potentially important variables and thus presents a simplified but presumably reasonably accurate representation of reality under defined circumstances.

We shall then discuss the relevance of these U.S.-inspired models to the Canadian system of Cabinet government. To anticipate somewhat, we find that while the "rational actor" and "bureaucratic

politics" models are in Allison's form misleading if applied to the Canadian context without amendment, their essential cores do describe phenomena which are important in Canadian trade policy-making and are therefore useful analytical tools.

1. Walter's Framework for Analysis of Trade-Policy Making

Ingo Walter, in his article "How Trade Policy is Made: A Politico-Economic Decision System", has provided the most complete analysis to date of the factors which underlie any government's trade policy. He proposes "a politico-economic decision model designed to explain how a national position on trade policy is established"².

While what he calls a "model" lies in fact much closer to the notion of a "framework for analysis" of national trade policies, his work is of value as an enumeration of the factors involved in trade policy making and offers some suggestive hypotheses (to this extent it does contain elements of the notion of "model").

Walter's dependent variables are the policy positions that national governments bring with them to the multilateral bargaining table as well as actions undertaken unilaterally. He begins with the question: what reasons may account for changes up or down or not at all in barriers to trade? He then proceeds to list and analyse several potential reasons. Two types of reasons are suggested: the "non-biased factors" and the "biased factors".

"Biased reasons" for changes in trade barriers are government responses to conflicting pressures for change from interest groups in society with varying vested interests in higher or lower specific barriers to trade. The reasons are biased because the resultant action (or inaction) benefits specific groups within the economy, "with little

regard for the impact on the economic well-being of the national entity as a whole"³. For trade policy there are two basic interest groups:

The first of these - which we may call the protection biased sector - advocates high levels of trade restriction in order to shield itself from foreign competition. The second group - the trade-biased sector - for equally compelling reasons of self-interest, demands low trade barriers. It strives to obtain low-cost imports, ensure maximum access to foreign markets, or to secure favorable policy actions on the part of foreign governments.⁴

The major interest groups which make up the protection-biased sector are import competing firms (most typically new "infant" industries or old and declining industries), "labour unions and the owners of co-operant productive factors employed by these firms, other enterprises supplying the import competing suppliers with new materials and components, businesses producing complementary products, as well as the political representatives of the regions and communities affected"⁵. The trade biased sector, on the other hand, is typically composed of exporting firms (particularly multinationals, who, when faced by import competition, often move these threatened sectors abroad rather than appeal for protection), linked suppliers, labour and investors firmly tied to the exporting sector, consumer groups, retailers, importers and distributors.

These groupings are not entirely discrete, however. There arise intersectoral conflicts based on non-homogeneous interests. Consumers are also producers, union and business associations and politicians' ridings may contain diverse interests, and many firms have both exporting and import-competing components.

Walter recognizes, moreover, that trade policy is not simply a matter of government responses to pressure group activity. Governments independently act to maximize their perception of the national interest or collective welfare. These reasons for changes in trade barriers Walter called the "non-biased factors", because they do not explicitly favour groups within the society. Some of them are the balance of trade (e.g. commercial policy would vary according to whether there is a deficit or surplus), competitive situations (trade policy can be used to promote or discourage competition in the domestic economy), economic growth (liberal trade policy can "clean out" uncompetitive sectors; restrictive policies can encourage infant industries), fiscal considerations (tariffs and surcharges are a form of revenue), social and environment arguments (e.g. export control on raw materials for conservation reasons, import controls on alcoholic beverages), and politico-military factors (trade policy as a major component of foreign policy).

The final input into Walter's framework is what he calls the underlying economic and social conditions which vary over time and tend to favour either liberalization or protectionism. By way of example, it has long been a rule of thumb among trade decision makers that periods of rapid economic expansion make moves to liberalize trade much easier to sell to the affected interests than periods of recession.

Walter's contribution is useful in that it directs attention to key variables and provides a limited number of hypotheses, particularly regarding the political strengths of the trade and protection-biased sectors. On this count, he hypothesises that:

The protection-biased sector is in an inherently strong political position because the possibilities of gain or loss attributable to trade policy shifts are both immediate and direct... They can argue that a reduction in trade barriers will inevitably result in direct loss in their share of the market, a reduction in output and employment, idle capacity, and generally harmful effects on their region of the country."⁶ and "Because the beneficial effects of trade liberalization are often difficult to perceive, relatively long periods of time are generally required for the trade biased sector to assert its full efforts on behalf of lower restrictions to imports."⁷

We have, then, conflicting sectors of the economy competing with each other for government action and governments which themselves have political, economic and social goals, and underlying economic and social conditions. How are these forces aggregated into real policy? Walter gives a hint:

The political process serves to resolve this conflict (between trade and protection biased sectors) and the existing national trade policy position reflects this internal resolution, set against the essentially non-biased considerations based on the national interest as delineated above. The final mix of commercial policies that results represents the bilateral and multilateral conciliation of differing national trade-policy positions on an international level. As the product of extended internal and external conflict resolution and constantly shifting economic and non-economic conditions, the resultant commercial policy naturally cannot satisfy both the protection-biased and trade-biased groups at home (or abroad) and this gives rise to an observed, constant pressure for change in that policy.⁸

Walter's framework would seem a useful characterization of the structure of the trade policy-making process. We are told that competing domestic and international interests put pressure on government, which has at least some goals of its own, that these interests vary in their political strength, and that somehow the whole series of pressures are resolved via the "political process". But what of the dynamic of the process; just how do actors interact to produce decisions? We turn

now to Graham Allison's models of foreign policy-making for some suggestive notions about the dynamics of the process.

2. Allison's Models of Foreign Policy Decision-Making

Graham Allison, in several well known works⁹, has put forward three alternate models which define more precisely the nature of interactions between government actors which produce outputs.

In the rational actor model, the key decision-maker is the political leader of the state, in Allison's example the President of the United States and his machinery of office. Other bureaucratic actors and influential non-governmental actors are certainly present, but their role in the decision-making process is as sources of information and policy options upward to the political leadership, which then decides in a calculated cost-benefit fashion based on its domestic and foreign policy goals. The model emphasizes what Allison calls a "unified national government" with one set of goals. This may mean either that all of the decision-making actors share the same goals and definition of the situation ("shared images") or that only the goals of the top political leadership are relevant (due to constitutionality or power relationships).

In the organizational process model, decisions arise out of the habitual decision-making processes internal to the various government organizations. Although Allison has not defined this model as precisely as the others, the gist appears to be that there is no one foreign policy decision, but rather a series of organizational decisions grounded in each organization's "standard operating" or decision making procedures. This series of organizational decisions is partially coordinated by the leadership. Government behavior is the sum total of these loosely coordinated outputs of independent organizations.

The bureaucratic politics model is the one which Allison has most clearly defined. The model assumes greater equality between government organizations than does the rational model, but it does allow for differences in the power of these organizations. There is just enough equality to permit bargaining between units. This bargaining leads to outputs or outcomes which were not the preferred or intended original policy choices of any one player in the game.

In the bureaucratic politics model, bargaining is done by either the heads of the organizations or the other senior officers ("chiefs"). The role of more junior officers ("indians") is to gather and interpret information and to forward policy options upward toward the "chiefs". The behavior of individuals within each organization is guided by the organization's "mission", which is itself determined by client relationships with interests in society. Each organization in this model is rational in that they have goals, but the goals of each organization differ according to its constituency and interests ("where you stand depends on where you sit"). It is the process itself which is non-rational (without shared goals). The results of the bargaining game may be compromise, ambiguity of decisions (for example, ambiguous policy statements), stalemate, or more or less complete victory of one actor.

It is important to remember that none of these models are intended to be perfect representations of reality, even in those circumstances under which each may operate. The beauty of models is after all that they offer a convenient simplification of reality, which one trusts is not too far removed from objective reality.

3. The Relevance of Allison's Models to Canada

We should now discuss the extent to which Allison's three models may be useful tools for the analysis of trade policy-making in Canada.

Dealing with the organizational processes model first, we would argue that this model is unlikely to be characteristic of decision-making processes in Canada, given the nature of Cabinet government. Some critics of Allison have doubted even its utility in the American separation of powers system, and it would seem of less pertinence still to Canada. The practice of collective responsibility of Cabinet, especially as it has been fortified in the Cabinet committee system during the Trudeau years, tends to discourage the situation of more or less independent outputs of government departments. Indeed, one of the strengths of Cabinet government has always been that it ensures a quite high degree of coordination among departmental outputs because most decisions are made collectively by Cabinet.

The situation which existed in Canada during the Cuban missile crisis in 1962 does remind one somewhat of the organizational process model, in that Department of National Defence behavior was at odds with the policies of External Affairs and the prime minister¹⁰. But this example was probably illustrative more of a breakdown of the theory and practice of collective responsibility than of "organizational processes". In trade policy moreover, it is difficult to imagine outputs (e.g. a tariff) operating in two different directions at once. Perhaps the closest analogy to the phenomena described by the model

in Canadian practice would concern inconsistent trade policy outputs of federal and provincial governments (for instance, in the field of government procurement). But it would be something of a perversion of the model to call this an illustration of "organizational processes", since the example given concerns two or more different governments.

It is our opinion that the two remaining models, "rational actor" and "bureaucratic politics", refer to phenomena which do occur fairly often in the Canadian context. We do observe situations, on the one hand, where images and goals appear to be greatly shared among the key decision-makers and where decisions seem to be made in calculated, cost-benefit, fashion, and on the other hand, where decision-makers have divergent interests and goals and where bargaining results in compromise, ambiguous outcomes, stalemate, or victory for one side.

We are not content, however, to employ these two Allison models as he formulates them based on his American experience. To do so could leave the impression that it is bureaucrats rather than ministers who do the bargaining and make final decisions in Canada (in the bureaucratic politics model)* or that everybody agrees on everything when the rational actor model is being applied.

* There may be certain policy fields where, by consent of ministers, bureaucrats are allowed to make policy, even important policy, themselves. This however is relatively uncharacteristic of trade policy, where ministers are either keenly interested in issues or their biases are anticipated by bureaucrats (see Part E of this thesis). We are not saying that senior bureaucrats are unimportant as influences on policy, just that in trade matters ministers are seldom mere rubber stampers of officials.

Allison himself provides the key to resolving these difficulties when he speaks of the "chiefs" as the bargainers in the game or the actors with shared images or values. What we should consider then, is the nature of the leadership of Canadian government departments and the leaders' role patterns.

Canadian departments have a dual leadership in the persons of the Deputy Minister or permanent head of the organization and the political Minister. The DM and other senior permanent officers of departments would, with only some simplification, strongly accept the organizational mission of the department and identify with its client groups (assuming the department has identifiable client groups). Thus in discussing models of interaction between "chiefs", at the senior bureaucratic level there is considerable predictability to the stands taken by permanent departmental officials. The positions of Ministers, on the other hand, are considerably less predictable and it is more difficult for us to assume about Ministers the validity of Allison's phrase "where he stands depends on where he sits" (at least which department in which he sits). Ministers have several roles, the most important of which are those of department head, regional or constituency spokesmen and party politician. In arriving at a position on a given issue, the Minister may tend in the direction of one of these roles or, because of role conflict, he may experience uncertainty as to which role should predominate or may wish that his position reflect a mix of roles. (at this point we shall regard as an open question the degree to which empirically Ministers have taken on or mixed these roles on trade issues).

An important consequence of these statements about Ministers and officials is that, while the behaviors described by Allison's "bureaucratic politics model" (bargaining) and "rational actor model"

(ends-means analysis based on shared goals) take place in Canada at both bureaucratic and Cabinet levels, there are significant differences between the two levels as to just how the two models operate. At the bureaucratic level, bargaining is likely to be based on the substance of the issue involved, where different officials have fairly predictable and varying stands. At Cabinet level, bargaining may concern as much regional/constituency considerations and varying conceptions of party interests as substantive questions. As for rational decisions, theoretically the rational thought processes would at bureaucratic levels concern substantive questions and at Cabinet levels would be based on both substantive questions and political issues. As a matter of empirical fact, however, we shall shortly argue that on trade issues (though not on all other issues) rationality based on shared values is extremely rare at the bureaucratic level and at Cabinet level is to be found primarily where the shared value is political party interests and seldom on shared substantive (i.e. departmental) or regional values.

We are now ready to define a Canadian version of Allison's bureaucratic politics and rational actor models.

Taking the bureaucratic politics notion first, what we want is a model which conserves the essence of Allison's model (interest representation, bargaining leading to compromise or ambiguous outcomes) but which does not leave the impression that only or primarily bureaucrats make decisions. To avoid confusion, we shall from here on use the term "governmental politics" and define it as:

1. Ministers act in concert with their department head or regional roles.
2. Bargaining takes place between ministers and officials, at both bureaucratic and cabinet levels, to produce outcomes either unintended by any one actor (e.g. compromise) or where one actor emerges the clear victor.

It is furthermore possible to distinguish three types of "govern-

mental politics". The first is where ministers take their department heads role and outcomes are based on bargaining (GP-Type A). The second would be where divisions between ministers are based on their regional or constituency roles (GP-Type B). Finally, another form of governmental politics would occur when some ministers take their departmental role and others take their regional-constituency role and bargaining results in compromise, ambiguous outcomes or complete victory for one minister (GP-Type C).

As for the "rational actor" model, it will be recalled that Allison defined it in terms of shared images or objectives between key actors and rational ends-means analysis. It is our view that in the field of trade policy such shared images occur only or at least primarily in terms of ministers' political roles, that is, when party interests are at stake. Such consensus seems virtually impossible in terms of departmental roles and infrequent in regional terms. In other fields of government activity -- the example of national security comes to mind -- there may be no conflict between ministers' objectives in terms of all three roles. But the nature of trade policy is such that when we speak of the "rational actor" model in this study, the rational ends-means calculation is undertaken primarily in cases of shared political or party images. The rare cases of shared images on departmental or regional roles which we encountered in this research concerned non-participation or indifference by a large number of ministers, thus creating consensus largely by default.

We shall conserve Allison's terminology and define the "rational actor" model as:

1. Heads of departments have shared images and goals. The images that are shared by ministers are most frequently those based

on their political or party roles.

2. The senior permanent officials of departments continue to have divergent departmental images and goals. But they become irrelevant to the model, since their "bosses" have temporarily redefined organizational missions in terms of their political or party interests.

With these modifications we avoid many of the problems of applying Allison's models per se to the Canadian political system.

But what if things are not so clear in terms of ministers' choice of roles (or more realistically priorities, since they would not in fact be thinking in terms of their roles)? Suppose ministers are not sure which role to take or wish to pursue a mix of roles. A minister of Consumer Affairs may wish to do his best for the consumer for example, but realizes that raw politics is on the side of groups demanding protection. Or some may want further study before making up their minds.

In this situation we would propose the introduction of a new model, which is intermediate between the conflictual relationships of the governmental politics model and the shared images of the rational actor model. We shall call this model the "accommodation model". Although actors do not share images and goals as to policy preferences, they do have shared images as to the means of pursuing solutions (or outcomes). In other words, actors, with differing and mixed preferences, consciously attempt to accommodate and reconcile the conflicting goals and pressures involved in the issue. The dynamic of the model lies in actors' anticipation of conflicting pressures and willingness to compromise. In the minds of the actors, the emphasis is more on

problem-solving than bargaining. Unlike the governmental politics model, compromise is not the unintended consequence of conflictual bargaining. Unlike the rational actor model, we need not assume that everyone has the same opinion.

To express this new model more formally:

1. Ministers, due to uncertainty or a desire to take account of all their roles, direct bureaucrats to consult in order to come up with a proposed compromise. The bureaucrats do so in a memorandum to Cabinet.
2. Once in Cabinet (or more often Cabinet committee), ministers continue the process of conscious accommodation of each others' preferences, roles and pressures.

This "accommodation model" has several advantages. It is consistent with the theory of collective responsibility of Cabinet, whereby each minister bears a responsibility for the actions of his colleagues and is therefore the more likely to sympathize with the pressures faced by other ministers. It further takes into account one aspect of the career patterns of both ministers and many senior public servants, since both, though especially ministers, may not be in the same department in the near future and there is thus some disincentive to identify oneself too closely with one's present position. The prototype of this model would be the "total government man" rather than the "CIDA man" or the "EMR man". Third, it seems particularly well-suited to individuals in departments like External Affairs and Finance which do not have as clear-cut constituencies as many other departments (and for this reason, we shall later argue, the model applies most often in practice on issues where actor participation

is restricted to or dominated by these departments). Finally, it is consistent with one of the major theories of Canadian political culture, perhaps best described by Robert Presthus as "elite accommodation" in a socially, regionally and culturally fragmented society¹¹. There is no shared image of the national (trade) interest. The shared image is that the national interest is accommodation.

It is our belief that there have been occasions in the past decade of Canadian trade policy where each of these models has applied in practice. Part of our task in the later parts of this thesis will be to uncover some of the conditions for the operation of each.

In Canada, most issues are given some attention by bureaucrats before being discussed in Cabinet (via the preparation of a memorandum to Cabinet). It is thus quite possible, in the sequence of events leading up to a given decision, for one of these models to operate at the bureaucratic level and another one at Cabinet level. For various reasons, including imprecise or non-existent instructions from ministers, the governmental politics model may for example characterize bureaucratic interaction, while accommodation or rational actor style shared images may predominate among ministers. What occurs at Cabinet level is of course most determinant of final outcomes.

One final note. All three of our models assume a minimal decision-making role for both the chief executive (prime minister) and parliament. As we shall see, this assumption seems not far off the mark, in that Canadian prime ministers, since World War II, have generally left trade policy to their ministers and that parliamentary actors have generally played the role of conduits for interest groups rather than performed decision-making roles.

4. Conclusion

It would be useful to now try to bring together what has been said in this chapter and relate it to the presentation of our empirical research which follows.

We began this discussion with mention of the familiar input-process-output characterization of the structure of decision-making processes. We further decided to treat Walter's framework as an approach to the input side and to take Allison's models, now reformulated in Canadian terms and supplemented by the "accommodation model", as models of the dynamic of the process of conversion of inputs into outputs. To fully explain any trade policy decision (or for that matter probably any governmental decision) we will require first, information as to what empirically happens in the "input" and "process" boxes of the model, and second, propositions which hypothesize relationships and probability statements about the interaction of actors. One purpose of this thesis is to both test existing hypotheses about trade policy-making (such as Walter's and, by implication, Allison's) and to build hypotheses or propositions based on our empirical observations. In this way, it is hoped that some contribution will have been made toward a theory of trade policy-making.

The relationship between empirical observations and propositions as a way of explaining outcomes may be illustrated by a simple example. Suppose a British Columbia producer of canned salmon in the summer of 1978 demands a tariff increase because of mounting import competition. Consumer organizations oppose the tariff hike as do Maritime exporters of herring who fear foreign retaliation (and under the GATT foreigners are entitled to compensation for tariff increases). By combining the following hypothesized propositions with empirical observations we can

arrive at a plausible explanation of the incident.

Propositions

Empirical observations in particular case

1. Well-organized producers carry more political weight than consumer groups (from Walter and others).
2. In periods of economic recession, protectionist forces are especially strong.

1. Unemployment is very high in Summer 1978. Consumer opposition is neutralized.

But what of the Maritime herring producers' opposition to the tariff increase? The increase may involve costs in terms of Maritime interests, even jobs in Atlantic Canada.

3. In pre-electoral periods, regions of greater electoral impact are favoured.

2. An election will soon be called. British Columbia is a swing province, and the Atlantic provinces are well in government hands. The herring opposition is neutralized.

Thus the impact of the characteristics of actors and the environment on the input side creates a favourable situation for the salmon producers. Next we look at the government process side.

4. The decision-making process in government is normally a process of bargaining between departments headed by ministers who represent their departmental interests in Cabinet. The result is compromise.

5. Ministers, when under intense political pressures, tend to ignore their departmental roles in favour of their political or party interests.

3. With an election coming, ministers of anti-protectionist departments ignore their officials' qualms about the negative effects of protectionism. Maritime ministers put aside their regional interests in favour of party interests. Opposition within government is neutralized.

Thus the tariff increase passes. This example is obviously simplified, but it does indicate how propositions about the inputs, environment and governmental decision-making process, when cast against empirical observations, can explain decisional outcomes. Real world cases will undoubtedly require more numerous and more sophisticated

propositions, likely in the form of probability statements, given the nature of social science. What is required is to build up a body of propositions concerning the elements of the overall process and to test them in order to refine them.

But just what kinds of propositions or hypotheses would we require to have in hand the elements of a theory of trade policy-making? And what empirical information should we be collecting in order to both test and refine existing propositions and to build new ones? It is our belief that the building of the following propositions and the collection of the following information on the input, process, and output sides would constitute a good beginning:

a) Input Side

i). Propositions about the power relationships between actors in the "protection-biased" and "trade-biased" sectors which make demands on government. Information requirements should ideally concern the following characteristics of actors:

- ideological orientations, or general values in the free trade vs. protection debate
- goals, or the specification of general orientations to a particular issue
- clients, or who does the actor represent
- power, or the resources brought into interactions with other actors (including such things as budget, expertise, influence with higher authority, alliances, moral force, electoral strength, and for governmental actors legal responsibility). Other actors' perceptions of any one actor's possession of these resources may be as important as objective possession itself
- tactics, or methods of intervention on issues, which vary in effectiveness

ii) Propositions about the environment of decisions (Walter's "underlying economic and social conditions"). Information will be required about such matters as the domestic and international

legal framework of decisions, domestic and international political-diplomatic situations, macroeconomic conditions and foreign government attitudes.

b) Government Process Side

- i) Propositions about power relations between actors in the governmental system, based again on information about the above characteristics of actors (ideological orientations, goals, clients, power resources, and tactics).
- ii) Propositions about the conditions for the operation of our three models of the dynamics of the decision-making process (governmental politics, rational actor, accommodation). Information should be collected, perhaps best in the form of case studies, which suggests these conditions and tests these models for acceptance, rejection or modification.

c) Outcomes Side

- i) Propositions about what kinds of outcomes are implied by different patterns and relationships on the input side and the operation of the three (or other) models of decision-making dynamics. Empirical information via case studies again seems appropriate.

It is doubtful that in a thesis such as this we shall be able to collect empirical information of sufficient scope and reliability to build and test watertight propositions, but it seems realistic to make a start in this direction. Our research design (or the manner of presenting the evidence) will roughly correspond to the above purposes and will consist of five parts:

- the environment of trade policy decision-making in Canada,
- introduction to actors and their characteristics - on the input side
 - in the government system
- case studies of trade policy decisions,
- analysis of the trade policy system and its sub-systems (eg. tariffs, anti-dumping, etc.) in Canada in terms of hypotheses about the input side and the government process models,
- presentation of some conclusions or provisional propositions about trade policy-making in Canada.

NOTES - CHAPTER I

- 1 Walter, Ingo, "How Trade Policy is Made: A Politico-Economic Decision System" in Hawkins, R.G. and Walder, I. (eds.), The United States and International Markets, (Lexington, D.C. Heath, 1972) and Allison, Graham T., "Conceptual Models and the Cuban Missile Crisis", American Political Science Review, September 1969.
- 2 Walter, Ingo, op. cit., page 17.
- 3 Ibid., page 23.
- 4 Ibid., page 23.
- 5 Ibid., page 26.
- 6 Ibid., page 28.
- 7 Ibid., page 33.
- 8 Ibid., page 23.
- 9 Allison, Graham T., op. cit.
- 10 See, for account, Lyon, Peyton V., Canada in World Affairs 1961-63, (Toronto, Oxford University Press, 1968).
- 11 Presthus, Robert, Elite Accommodation in Canadian Politics, (Toronto, Macmillan, 1973).

PART B: BACKGROUND TO CANADIAN TRADE POLICY MAKING

Chapter II: HISTORICAL BACKGROUND AND CONTEMPORARY CANADIAN TRADE POLICY

There is a surprising continuity to be found in the history of Canada's commercial policy, from pre-Confederation days to the present.

Writing in 1957 of the tariff, John H. Young refers to:

the remarkable stability of the Canadian tariff over the course of the last century. There have been only three occasions on which the tariff has been significantly increased: the Cayley-Galt Tariffs of 1858-59, the National Policy Tariff of 1879 and the Bennett Tariffs of 1930-31... Reductions have ordinarily been spread over longer periods. There was a reduction in the tariff of Central Canada at Confederation in deference to the Maritimes, some downward tendency under Liberal governments in the period 1896-1911 and in the 1920's, and a fairly substantial reduction when the depression increases of the early 1930's were undone by a new government and the reductions carried further in the postwar period.

The major themes or problems faced by governments have remained quite constant over the years, although the relative priority of several competing concerns has varied with changing economic and political circumstances. Canadian trade policy history might usefully be conceptualized as a tugging and pulling of competing considerations in three major areas: government goals, pressures on governments, and techniques of negotiation and instruments of application.

1. Goals

All Canadian governments have pursued in varying proportion three broad trade policy goals: the maximum exploitation of current Canadian comparative advantages, the development of new areas of potential advantage, and the protection of fields of declining comparative advantage. More concretely, the corresponding historical themes of commercial policy have been attempts to improve access to key foreign markets for export industries, especially in the United States and Britain (and later in Europe and Japan), the encouragement

of new or infant industries via the protective tariff wall around manufacturing industries of Macdonald's National Policy, and the use of tariff and non-tariff instruments to protect industries subject to import competition. The first of these goals (of which a current variant is the so-called "sector approach" to the MIN) of course conflicts in practice with the other two, since concessions from other countries are difficult to obtain without some opening up of domestic markets. The infant industry motif has undoubtedly declined in the past half century as a goal of trade policy, although it has sometimes been (illegitimately) used to justify protection which in fact relates to declining industries. Governments have differed as to the balance which should be struck between these competing concerns, usually according to macroeconomic and political circumstances and sometimes, especially in the first half century of Confederation, according to party label - the Liberals accenting the export industry interest and the Conservatives the protection of manufacturing industry side. But no government has ever ignored completely the one or the other consideration. Even in the period (late 19th and early 20th centuries) of greatest rhetorical difference between the parties, the Liberals were never able to implement their hustings rhetoric of "unrestricted reciprocity" (both natural products and manufactures) with the United States, partly because of American opposition but also because of domestic interest group agitation and revenue considerations, and there is evidence suggesting that Macdonald's National Policy was in part intended as a bargaining tool to encourage the Americans to agree to a new Reciprocity Treaty on the lines of the 1854 agreement.

Since World War Two a new kind of goal has been added: the conscious use of trade policy to effect rationalization of the problem-ridden Canadian manufacturing industry. In some cases, this new twist to the goal of developing new areas of comparative advantage has emphasized liberalization rather than protection as a way of encouraging greater specialization and economies of scale, spurred on by a series of studies by academic and government economists in the 1950's and 1960's². Although most of the academic economists associated with this school of thought are unhappy with the extent to which governments have implemented the new objective, some tentative but nonetheless significant steps have been taken by governments in this direction (e.g. the Autopact), such that we may regard it as an addition to the array of goals to which trade policy is directed. Governments have quite probably by now accepted the principle advanced by the academics, but have faced formidable constraints on implementation from interest group agitation, as well as the assumed force of public opinion (regarding free trade with the United States for example).

The goal of rationalization has in addition been pursued on occasion through "sector strategies" or packages of industrial, fiscal and research incentives and commercial policy measures which sometimes included what was announced as "temporary" protection. The textile, footwear and television strategies of the Department of Industry, Trade and Commerce during the 1970's would seem of this type; "temporary" protection was justified as necessary to prevent collapse of industries during the period of rationalization. Although there is room for disagreement as to whether the real intent of such sector packages was rationalization or camouflaged protection, governments appear at

least to have in their verbal statements adopted this new variant of the infant industry argument for "legitimate" protection.

Government goals of a non-economic character have been another continuous theme in the history of Canadian commercial policy. The introduction of British preferences beginning in 1896 had a major effect on overall commercial relations, particularly up to the decision in 1947 to unbind margins of preference. Since 1947 the economic effect of Commonwealth preferences on Canadian trade patterns has declined in relation to their political symbolism, and since the 1960's and Britain's entry into the European Community even the symbolism seems on the wane. Undoubtedly the most important non-economic theme of trade policy has been the constant (though varying in intensity) fear of the consequences for Canadian nationhood of certain kinds of trade agreements with the United States - this fear being the rock upon which floundered several possible Reciprocity agreements including that of 1911 and the consideration given in 1947-48 to a Canada-United States Free Trade Area. This self-inflicted political constraint has made it all the more difficult to find a feasible method of industrial rationalization, since one of the most obvious solutions has been effectively rejected on non-economic grounds. In recent years, the notion of preferences for developing countries has been a major diplomatic thrust of Canadian commercial policy, although perhaps more on a rhetorical level than as a significant real factor in the structure of Canadian protection.

2. Pressures

The second major type of consideration in the making of Canadian trade policy over the decades has been what we might class as pressures

put upon governments from interest groups, regional forces and fiscal realities.

The fiscal constraint was a major factor in commercial policy up to the Second World War. The tariff provided some 65% of federal government revenue in 1867 and 40% as late as 1929. As John Young has observed, "this created a link between the interests of the treasury and the protected industries"³ and helps explain why the Liberal party was unable to liberalize in the late 19th and early 20th centuries to the extent promised in election campaigns. Since the Depression customs revenue has ceased to play a significant role in determining commercial policy as alternate methods of taxation have been found, and this has no doubt enabled Canadian as well as other Western governments to embark more firmly on a policy of tariff liberalization.

Interest group agitation and regional pressures have been a constant factor in Canada's trade policy, particularly as there exists considerable regional concentration of export oriented industries like agriculture, mining, forestry and fishing (in the West and Maritimes) and import competing manufacturing (in Ontario and Quebec). The days have long passed since Sir John A. Macdonald could say of the policy-making process of the National Policy tariff of 1879, "let every manufacturer tell us what he wants, and we will try to give him what he needs"⁴, and the ability of any one interest or sector to determine levels of protection has declined greatly. In today's world the most powerful interests may be either export oriented or import-competing in nature and this has increased governments' ability to pursue their own goals. Individual interest groups are, as we shall see, most determinant of trade policy outcomes in between GATT round isolated

situations as opposed to multilateral contexts where virtually the entire economy is on the table. The influence of particular interest groups on trade policy has always varied with current economic and social conditions (e.g. recession tends to favour protectionists) and the political interests of the governing party.

3. Techniques

One also observes in a broad sweep of Canadian commercial history a remarkable continuity as to the technique of changing barriers to trade. As is the case with most countries, Canada's approach to changing barriers has been based on a policy of reciprocity, to which rather few exceptions have been admitted. As Ernest Preeg has observed:

Through advocates of liberal trade are quick to point out the potential benefits of unilateral tariff reduction, this enlightened view has seldom achieved a national consensus. Protectionist resistance to tariff reduction on particular products is difficult to offset by widely dispersed gains in efficiency or consumer welfare. Moreover, short-run factors such as balance of payments disequilibrium and unemployment are real policy constraints. The bargaining approach, on the other hand, through which gains for export industries are matched against increased imports, has greatly strengthened the appeal of trade liberalization.⁵

Since World War Two, reciprocity has been pursued primarily within the GATT context of multilateral negotiations based on the Most Favoured Nation principle enshrined in Article 1 of the Agreement, rather than bilaterally as was the case before that time in various treaties with the United States and other countries (the 1935 agreement granting the Intermediate or MFN tariff to the United States was an important example). A major consequence of the policy of reciprocity, in both its bilateral and multilateral forms, has been to discourage unilateral tariff and other liberalizations.

The major exceptions to this longstanding policy were the granting of British preferences in 1896 (later reciprocated) and the 10 year program of preferences for developing countries announced in 1974. There have of course been many examples of non-reciprocal lowering of duties by order-in-council on a temporary basis, but unilateral reductions of statutory or permanent rates have proven quite rare.

While on the subject of techniques, we would be remiss not to mention the declining use of tariffs as instruments of protection relative to other kinds of barriers since World War Two. The relative ease with which tariff barriers can be negotiated away compared with more subtle methods of protection accounts for this. Declining use of tariffs should not however hide the fact that Canada continues to employ the tariff instrument rather more than most other industrialized countries.

Contemporary (post World War Two) Canadian trade policy is the direct inheritor of things past, but the institutional and legal achievements of the immediate post-war period associated with the General Agreement on Tariffs and Trade constitute a watershed in the history of Canadian as well as other nations' commercial policies. Continuities from the past include the conflict between the goals of trade policy mentioned above, the general policy of reciprocity, and many of the pressures put upon governments from economic and geographical interests. Since World War Two however, official commitment to liberalization as an objective to be pursued has been far more explicit than in the past and the multilateral approach to reciprocity has proven in historical terms a highly successful technique for achieving significant liberalization of tariff barriers and some non-tariff barriers (e.g. anti-dumping code 1967).

To be sure, this general post-war Canadian trade policy of liberalization via the multilateral approach to reciprocity has admitted of numerous exceptions. The bumps along the road to liberalization associated with periodic recessions, interest group lobbying, and perhaps most fundamentally the inability of governments to come once and for all to grips with the problems of the Canadian manufacturing industry have at times created the impression that the policy itself was one of protection rather than of liberalization. When viewed in historical perspective such a conclusion seems erroneous, yet perhaps forgivable.

NOTES - CHAPTER 11

- 1 Young, John H., Canadian Commercial Policy, (Study done for the Royal Commission on Canada's Economic Prospects), (Ottawa, Queen's Printer, 1957), pages 11-12.
- 2 Young, John H., ibid., English, H. Edward, Industrial Structure in Canada's International Competitive Position, (Montreal, Canadian Trade Committee, Private Planning Association of Canada, 1964); Daly, D.J. et al., Scale and Specialization in Canadian Manufacturing, (Ottawa, Economic Council of Canada, Staff Study No. 21, 1968).
- 3 Young, John H., ibid., page 43.
- 4 Ibid., page 46.
- 5 Preeg, Ernest H., Traders and Diplomats, (Washington, The Brookings Institution, 1971), pages 23-24.

Chapter III: DOMESTIC AND INTERNATIONAL LEGAL FRAMEWORK

Individual trade decisions are made against the background of a large body of domestic and international legislation. Existing laws are of course past outputs of the trade policy-making process which define to a large extent the options available in particular cases. It is useful to view existing domestic legislation as the general policy and international law as the general norms within which specific decisions are made.

1. Domestic Legislation

Unlike many other countries, such as the United States, Canada does not possess a comprehensive statute which defines and distributes the trade policy-making power. We must therefore refer to a whole series of acts which, taken together, constitute this distribution and define the instruments available to governments to make trade policy.

The British North America Act, itself patterned in many ways after British constitutional tradition, made foreign affairs the exclusive prerogative of the Crown or Governor-in-Council, in contrast to the United States constitution which allowed considerable power to the legislature in foreign relations. Treaties need not be submitted to Parliament for approval, although in many cases this has been done, including treaties in the trade field (for example the Automotive Agreement of 1965). The BNA Act gives jurisdiction over "the regulation of trade and commerce" to the Federal Parliament (Section 91.2), but the fact that revenue legislation can only be introduced or amended by Governor-in-Council, as well as the tradition of party discipline, ensures that the executive branch of government, the Cabinet, has full control over the tariff and trade policy in general. Individual Members of Parliament who are not ministers have no legal powers in trade policy,

although, as we shall see, they can and often do exercise an informal influence. Provincial governments also are capable of making de facto trade policy through non-tariff measures (via regulations such as Liquor Control Board purchasing practices) and because provincial legislation is sometimes required to implement international treaties. They too exercise an informal but increasingly considerable influence on federal policy.

Trade policy, then, is fundamentally the domain of the executive-bureaucratic arena of government, although, as we shall see, diverse regional, special interest, and political influences come to bear on the Cabinet and its bureaucratic advisors. A series of statutes exist which define the instruments of trade policy and distribute them between Ministers and their Departments. The major instruments are the tariff, non-tariff measures, administrative mechanisms, review mechanisms, export promotion and the negotiation of international agreements. We shall now examine the statutes which set the ground rules for the operation of each of these instruments.

The use of the most traditional instrument of trade policy, the tariff, is defined in the Customs Tariff. This enormous piece of legislation sets out the various rates of import duty for thousands of products. It further enumerates the countries benefiting from and the rates of duty on Canada's four tariff schedules: the British Preferential Tariff (traditionally the lowest rates, since 1974 in numerous cases the same as the General Preferential Tariff); the General Preferential Tariff (for developing countries on some 1500 products); the Most Favoured Nation rate (for almost all other countries); and the General Tariff (the highest rate for a few

countries not entitled to any of the above schedules). The authority to extend or withdraw any of these rates is invested in the Governor-in-Council (i.e. the Cabinet), although in practice this means the Minister of Finance (since tariffs are a tax), and orders-in-council on tariff changes thus usually read "His Excellency the Governor-in-Council, on the recommendation of the Minister of Finance, is pleased to ...".

The Canadian tariff contains some further distinctions beyond the BP, MFN, GPT and General categories which add to the number of rates of duty. Many agricultural products contain seasonal rates which provide protection to Canadian producers from American competition during the Canadian growing season: for example cauliflower enters free between January and May but faces a 10% MFN rate during other months. The distinction "of a class of kind not made in Canada" allows lower or free rates for many products. Separate trade agreements with Australia, New Zealand and South Africa provide for rates on many food items which differ from the British Preference: canned beef for instance has a 15% BP rate but under the Australia-Canada agreement enters free. Finally, provision is made in schedule B of the tariff for drawback or remission of duties on imports used as inputs into Canadian manufacturing (raw sugar, for example can receive a drawback of 99% if refined in Canada for use in wine making).

Besides the normal rates of duty, the Customs Tariff also authorizes Governor-in-Council to levy a countervailing duty on goods deemed by Cabinet to have been subsidized by foreign governments (Section 7), and to impose surtaxes on products imported from a country

which discriminates in its tariff schedule against Canada (Section 8.1) or against products deemed to be "causing or threatening ... serious injury to Canadian producers" (Section 8.2: based on the Article 19 "safeguard clause" of the GATT), but for no longer than 180 days without parliamentary approval.

Finally, the authority for the Government to take part in multi-lateral trade negotiations, as well as bilateral negotiations aimed at reducing tariffs, is contained in Section 11: the Governor-in-Council may reduce duties "by way of compensation for concessions granted" to Canada by other countries. The schedules of the Customs Tariff are in process of frequent change: amongst other occasions the annual government budget normally contains dozens of temporary amendments to the various schedules.

In the area of non-tariff instruments of trade policy, provision for quantitative restrictions on imports and exports is made in the Export and Import Permits Act, originally passed in 1947. The Governor-in-Council, upon the recommendation of the Minister of Industry, Trade and Commerce, is empowered to place goods on an Export Control List, for reasons of national security, availability of supply or international agreement (such as commodity agreements), and on an Import Control List, for reasons of scarcity of supply, agricultural price stabilization in Canada, international agreement (eg. commodity agreements like tin and coffee, where Canada is a consumer member, to prevent or limit imports from non-member countries), or to prevent "serious injury or threat of injury" pursuant to the deliberations of the Textile and Clothing Board or the Anti-Dumping Tribunal (Section 5.2). This last clause was added in 1970 as part of the Textile Policy, in response to the growing problem of "low Cost"

imports from developing and East European countries. An Area Control List was also established by the Act to control or prohibit the import of goods from certain countries, such as Rhodesia in accordance with United Nations sanctions. Exports and imports are controlled quantitatively under this Act via the issuance of permits to importers and exporters by the Ministry of Industry, Trade and Commerce. Most of the cases of export control have involved strategic goods, while the import control list has been used primarily to control the importation of dairy products from the United States and New Zealand, and "low cost" manufactures (textiles, footwear) under the "emergency safeguard" provisions of GATT Article 19.

Quantitative restrictions may also be based on the general trade and commerce power of the federal executive. Voluntary export restraint agreements (VER's), sometimes called "orderly marketing arrangements", may be negotiated with foreign exporting countries, which then "voluntarily" limit export of given products to Canada to agreed levels. Numerous examples exist in the area of textiles. Although nominally under the authority of the Secretary of State for External Affairs, for reasons of practicality and expertise these agreements are in fact negotiated by the Office of Special Import Policy of the Department of Industry, Trade and Commerce.

Other controls on exports and imports are provided in the Canadian Wheat Board Act and the Export Act. The Canadian Wheat Board Act created the Board as a state trading monopoly to control the export and import of grains through licences: in fact few import licences are ever issued. The Export Act empowers Governor-in-Council to impose export duties on products such as logs, pulpwood, nickel,

copper, lead and silver, and to prohibit the exportation of petroleum, pulpwood and intoxicating liquors.

Another group of non-tariff instruments which affect trade flows is the myriad of statutes, regulations and administrative decisions by a host of federal and provincial ministries, which ostensibly have some other purpose than trade policy, but which may consciously or unconsciously have trade implications. Some of these non-tariff measures, such as labelling requirements and health and safety regulations under the Food and Drug Act, the Hazardous Products Act, the Health of Animals Act and other statutes, involve border action and are administered by the Department of National Revenue, Customs and Excise Branch, at the various Canadian ports of entry. Other potential NTB's include federal and provincial government procurement regulations, regional development grants under the Department of Regional Economic Expansion, and programs of adjustment assistance under the Department of Industry, Trade and Commerce.¹

Many of the administrative mechanisms of trade policy are outlined in the Customs Act, which authorizes the Governor-in-Council to make regulations prescribing the terms and conditions under which goods may be imported into Canada, and spells out the duties of customs officers, the obligations of importers, and the penalties for smuggling and false declaration. Sections 36 to 44 contain the value-for-duty provisions, that is, the value base of goods on which rates of duty are to be applied (defined in Section 39 as the "fair market value at the time when and the place from which the goods were shipped to Canada"). The administration of the Customs Act and the entire Customs service is under the responsibility of the Minister of National Revenue (or Revenue Canada). The Customs Act, however, is more than just administration: it can be used in a policy sense

to affect what are generally known as administrative barriers to trade², although it seems clear that the extent to which Canada has recently engaged in such practices has declined since World War Two.

In accordance with the post-war GATT aim of avoiding arbitrary restrictions on trade, three major review mechanisms have been set up by the Canadian Government to determine the facts of certain disputed questions and to make recommendations to Ministers. The Textile and Clothing Board Act of 1971 established a Textile and Clothing Board to conduct enquiries to determine whether complaints by Canadian businessmen that textile items are being imported in such a way as to "cause or threaten to cause serious injury" to Canadian firms are justified, and to recommend certain courses of action. The TCB's findings are referred to the Ministry of Industry, Trade and Commerce for final decision. The Act also states that complaining firms must submit to the Board plans to improve their competitive performance as the condition for special measures of protection, and the Board is called upon to judge the acceptability of these plans.

The Anti-Dumping Act of 1970 defines the conditions for imposition of a duty on dumped imports. The Act established an Anti-Dumping Tribunal, reporting to the Minister of Finance, which is charged with determining whether goods which are found by the Department of National Revenue to have been dumped onto the Canadian market are in fact causing injury to Canadian manufacturers. Under Section 16.1, the Tribunal may also be asked to enquire into any matter (not necessarily dumping) related to imports that may cause or threaten injury. This section of the act has been used to date only three times, for enquiries on footwear in 1973 and 1977, and canned mushrooms in 1974.

The Tariff Board Act, Canada's statutory response to Article 10 of the GATT, established a Board to undertake two major duties. Upon request of the Minister of Finance (via whom the Board reports to Parliament), the Board reports on the level of tariff that would be needed to allow the maintenance of Canadian industries, after examining raw material, transportation and production costs in Canada and abroad. The Board also reports on the potential effects of tariff charges on industries and the consumer, as well as on what should be the appropriate description or enumeration of goods. The second function of the Tariff Board is to act as a court of appeal for Canadians, primarily importers, who question the decisions of the Department of National Revenue on value for duty, tariff classification and the level of tariff.

The ground rules for another instrument of trade policy, export promotion, are set out in two statutes. The Department of Industry, Trade and Commerce Act of 1968 charges the Minister of Industry, Trade and Commerce, among other things, to "improve the access to Canadian produce, products and services into external markets through trade negotiations and the promotion of trade relations with other countries and contribute to the improvement of world trading conditions" (Section 4(c)). It is this clause, moreover, which formalizes the Department of Industry, Trade and Commerce's primary legal responsibility for conducting GATT negotiations. The Export Development Act set up the Export Development Corporation, a crown corporation, which offers assistance to Canadian exporters in the form of loans to foreign buyers of Canadian goods and insurance to Canadian exporters against non-payment due to default or political upheaval.

A final instrument of trade policy is the ability to enter into international trade agreements, both bilateral and multilateral. As indicated in the course of the above description of statutes, this power derives from the general treaty-making power of the Governor-in-Council, from Section 11 of the Customs Tariff on reductions of tariffs "by way of compensation for concessions" by other countries, and from Section 4(c) of the Department of Industry, Trade and Commerce Act, outlined in the previous paragraph.

These statutes, then, form the legal basis of trade policy-making within Canada. But trade policy is also influenced by the framework of international rules and institutions in which Canada participates, and to these we now briefly turn our attention.

2. International Legal and Institutional Framework

Canada is party to a number of international treaties, agreements and institutions which carry with them rights and obligations, and thus involve both opportunities and constraints for policy-makers in Ottawa. Some of these accords are multilateral (the GATT, several international commodity agreements, the Arrangement Regarding International Trade in Textiles); others are bilateral (trade agreements with individual countries or groups of countries, the Automotive Agreement and the Defense Production Sharing Agreement with the United States). Although they are not based on legal requirements, participation in certain institutions such as UNCTAD and the OECD does have some bearing on the making of Canadian trade policy.

By far the most important trade accord to which Canada adheres is the General Agreement on Tariffs and Trade (GATT), signed by

23 original contracting parties, including Canada, in 1947. The aims of the Agreement as set out in the Preamble are to encourage the "substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce". The GATT is composed of four parts.

Part One outlines the fundamental obligations of members - the Most Favoured Nation (MFN) principle which obligates members to extend any reduction of duties (or for that matter, restrictions) accorded one member to all members (Article 1). Permitted exceptions to Article 1 include preference systems (such as the Commonwealth preference) already in existence (as long as the margins of preference between preference rates and MFN rates do not increase), free trade areas and customs unions (Article 24), as long as they do not increase barriers vis-à-vis outside countries.

Part Two of the GATT amounts to a code of fair trading behaviour. Certain types of restrictions on imports are discouraged: Article 3 bans the use of domestic levies and regulations intended to provide protection; Article 7 prohibits customs valuation based on domestic prices or inclusion of domestic taxes. Unfair export promotion is combatted via Article 6 which condemns the practice of dumping, Article 9, on authentic marks of origin, and Article 16 which discourages the use of export subsidies on primary products and bans the use of export subsidies on manufactured goods which make export prices lower than domestic prices. Various articles attempt to define the conditions under which restrictions on imports and exports are permitted: Article 6 permits the levying of an anti-dumping duty on dumped imports; Article 11 allows temporary

restrictions on exports intended to prevent shortages of foodstuffs and other essential goods, and/or imports of agricultural and fish products in domestic surplus; Article 12 authorizes temporary restrictions to safeguard the balance of payments. Article 18 provides an escape clause for developing countries for purposes of infant industry development and balance of payments equilibrium. Article 19 is a safeguard emergency clause for all members whereby restrictions on imports are tolerated when "unforeseen developments" result in imports "in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers". Article 13 provides for the non-discriminatory application of any quantitative restrictions. Article 22 calls for consultation between members on any matter affecting the operation of the Agreement. Finally, Article 10 requires prompt publication and dissemination of information on changes in trade regulations and requires the establishment of independent review and judicial mechanisms (in Canada's case these are the Anti-Dumping Tribunal and the Tariff Board).

Part Three of the agreement contains several miscellaneous items. Articles 30, 31, 32 and 33 provide for amendments to the agreement, withdrawal from the GATT, definition of membership and the accession of new members. Article 25 allows a waiver of any obligation under the agreement to any state which can get the approval of two-thirds of the membership. Article 28 establishes the principle that bound rates of duty are not to be increased without compensation to partners. Article 28 bis provides for periodic negotiating conferences ("rounds") to take place for the purpose of further liberalization of trade.

By Part Four of the GATT, ratified in 1965 in response to the demands of the developing countries, developed countries undertake to reduce barriers to LDC exports "to the fullest extent possible", without expectation of reciprocity.

These provisions of the GATT constitute a major constraint upon Canadian and other trade policy makers. Although the vagueness of many of the articles and the various escape clauses allow great flexibility on the part of national decision-makers, the agreement does force many specific obligations on governments. Canada was requested to revoke the emergency surtax applied to potatoes in 1962 by a panel set up under Article 23 and was given a (gentle) slap on the wrist for its import surcharge in 1962. The Article 28 principle of compensation for tariff increases to trade partners causes decision-makers to think twice about raising duties. Another constraint on policy-makers is psychological: a tradition of reluctance to break the "spirit" of the agreement has grown over the years. And, more concretely, the "spirit of the GATT" provides ammunition to opponents of contravention within governments.

Another form of multilateral agreement to which Canada has acceded has been several international commodity agreements. In the minerals field, Canada is at present a member of the International Tin Agreement which operates a buffer stock to stabilize tin prices and to which Canada contributes as a consuming country, and the International Lead and Zinc Study Group, which exchanges information and draws up supply and demand forecasts in an attempt to moderate price fluctuations. As for agricultural commodities, Canada is a consuming country member of the International Cocoa Agreement,

International Coffee Agreement, and the International Sugar Agreement.

Via the Food Aid Convention of the current International Wheat Agreement, Canada is committed to supplying food aid to developing countries. The present agreement does not provide for market intervention to influence prices, but is currently under renegotiation.

Another multilateral trade agreement to which Canada adheres is the Arrangement Regarding International Trade in Textiles or Multifibre Agreement (MFA), an attempt to inject some order into the ways in which industrialized countries deal with surges of "low cost" imports from developing and East European countries. The Agreement is somewhat unique in that it allows discrimination (unlike the GATT) in the application of special restrictive measures against textile imports. The 1970 GATT Arrangement Concerning Certain Dairy Products fixes minimum export prices for skimmed milk powder and milk fat.

There exist in addition a host of bilateral trade agreements between Canada and other individual countries. Most of these involve exchange of most-favoured nation treatment by Order-in-Council or, in the case of most Commonwealth countries, exchange or accordance of British preferential treatment. Two sectoral agreements with the United States, the Automotive Agreement and the Defense Production Sharing Agreement, provide for free trade in these products. Although they involve no commercial concessions, the Canada-EEC Framework Agreement for Commercial and Economic Cooperation (June 1976) and the Canada-Japan Agreement (October 1976) provide for closer consultation and potential cooperation on trade matters.

Canada is also a participant in the activities of the United Nations Conference on Trade and Development (UNCTAD). In contrast to the GATT, UNCTAD is not a set of contractual obligations on members,

but rather an ongoing forum for the discussion of trade issues as they apply to developing countries. The practical importance of UNCTAD to Canadian trade policy lies in the fact that some obligations have in the past had their origins in UNCTAD Conferences (e.g. the Generalized System of Preferences, the International Cocoa Agreements of 1973 and 1976). UNCTAD is now the principal negotiating forum for international commodity agreements. The activist ideology of the UNCTAD Secretariat is also relevant: its continual "scolding" and "cajoling" of Western Governments has led to some concessions to developing countries by Western countries, including Canada (an example might be the addition of some tropical products to Canada's GPT in April 1977). A whole series of conferences on individual commodities under the auspices of UNCTAD and an attempt to deal in a comprehensive way with commodities via the so-called "integrated commodities programme" are planned for the late 1970's. Canada is also a member of the Organization for Economic Cooperation and Development (OECD), which, in addition to certain information gathering and economic planning and reporting activities, has been the major forum for coordination of developed countries' approaches to UNCTAD activities.

NOTES - CHAPTER III

- 1 See Stegemann, Klaus, Canadian Non-Tariff Barriers to Trade, (Montreal, Private Planning Association of Canada, 1973) for full description.
- 2 Ibid.

An indication of the importance of trade in the Canadian economy and society is provided by the very large number of actors or organizations involved in various ways in the policy-making process. Interest groups, provincial governments, foreign governments, members of parliament, government departments and Cabinet ministers are all involved, although some with greater regularity and intensity than others. It is not difficult to find empirical examples of decisions in which actors from any one of these categories played crucial roles.

For the sake of analytic convenience, we shall divide the presentation of these actors and their characteristics into three chapters on "initiating actors", "specialized review actors" and "departmental actors". This categorization is intended to correspond to a simple model of the structure of governmental decision-making sequences in Canada¹. With some simplification, any decision-making sequence in Canada may be conveniently be divided into four basic phases: an initiation phase in which an issue arises (to take an obvious example, an interest group demands protection); a review phase in which one or more actors analyse the facts of a problem, interpret it and present options to the appropriate authority for decision; a bureaucratic resolution phase in which governmental officials from one or more departments develop recommendations to Cabinet; and a political resolution phase in which final choices between options are made in Cabinet Committee. For trade policy, the major actors in the initiation stage are interest groups, provincial governments, parliament and foreign governments. The review phase may be undertaken by both departmental officials and what we term the "specialized review actors", the Tariff Board, Textile and Clothing Board and Anti-Dumping Tribunal, which we

have singled out for treatment in a separate chapter. An introduction to the actors in both the bureaucratic and political resolution phases is provided in a chapter on departmental actors. We recognize that there exists some overlap between the actors involved in these stages (for example, departmental bureaucrats are often initiators and reviewers as well as producers of recommendations to ministers). Our purpose here however is simply a convenient, not a perfect, categorization of actors based on their most characteristic functions in the trade policy process.

Finally, each actor will be profiled in terms of the actor characteristics outlined in Chapter One - ideological orientations, goals, clients, power resources and tactics. We of course do not possess equally developed information on each of these characteristics for every actor, but some indication of these characteristics is given in each case.

NOTES - PART C

- 1 Kelly, Donald W., The Development of a New Textile Policy for Canada: A Case Study of Government-Industry Relations in Canada, Unpublished D.B.A. Thesis, Harvard, 1974.

1. Interest Groups

Trade policy, particularly the tariff, was probably the original focus of interest group demands on Canadian governments. S.D. Clark's classic study of the Canadian Manufacturers Association argued that Macdonald's National Policy tariff of 1879 was virtually set by the government asking the Association what it wanted, and giving it to them¹. Matters are considerably more complicated today. It is much more difficult today for any one interest to have its way on trade policy issues, even those with great resources and commanding large blocs of votes. We have seen an unprecedented process of economic and social differentiation during the 20th century and this has been associated with an enormous proliferation of interest groups. For instance, consumer and labour movements barely existed in 1879, and the Prairie provinces were unsettled. One of the most important checks on the unbridled trade influence of any one interest is the existence of other interests, not only between sectors (e.g. consumer vs. manufacturer) but within sectors (e.g. one manufacturer wanting added protection is opposed by another who uses the item as an input). In addition, governments have during the course of this century armed themselves with a multiplicity of policy instruments, including tax policy, regional expansion instruments, industrial adjustment incentives, etc., so that instruments affecting trade flows are today only one of several tools available to satisfy interest group demands. Governments moreover appear to have become less reactive in their behaviour and more likely to act in accordance with a conception of the "national interest" and the general recognition by governments that trade liberalization is desirable has become more explicit. Finally, the post World War Two institutionalization of certain international norms of acceptable trade

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policy behaviour, via the GATT especially, has constrained the ability of governments to satisfy protectionist group demands.

While these factors have resulted in a situation in which it is much more difficult for any one interest group to have its trade demands met by governments, it is nevertheless true that first, interest groups and their behaviour are of enormous importance to the making of trade policy and second, some are unquestionably more powerful than others.

On the first score, interest groups play a major initiating role in trade policy-making. Probably the majority of individual trade decisions have their origins in demands on government from some domestic interest association. One group's success will of course be influenced by interventions into the debate by competing or allied groups. This is clearly shown in our case study on the imposition of quotas on clothing imports. Moreover, even when decision sequences are initiated by other actors, such as government officials, foreign governments or international institutions, domestic interest groups play an important (and by no means always insidious) role of providing information to governments as to what needs to be negotiated with other governments and on technical and political feasibility. For politicians especially, this information flow function is crucial: in the mass society interest associations are an essential link between government and the electorate. In spite of the popular impression that interest group influence on government is somehow undemocratic, the existence of these groups is a fundamental requisite of democratic government².

What is perhaps less desirable (though difficult to avoid) is that some interests intervene in the policy process with far greater resources than others. In Canada's trade policy, the resources

which probably most differentiate interest groups from one another are the capacity to command electoral votes and the capacity to furnish sophisticated technical information to governments. Although it is probably not an objective law of social relations, the empirical distribution of these resources among Canadian interest groups quite likely has something of a protectionist bias on the making of Canadian trade policy. It is the groups with an interest in protection which control the most votes, although some groups with liberal interests, such as the resources industries and Western agriculture, are far from powerless. The concentration of internationally uncompetitive (but labour-intensive) manufacturing industries in Ontario and Quebec, and the greater intensity of opposition by producer groups to adverse government trade decisions as compared with consumer groups, are indicative. Because these groups are powerful, they are also generally in a position to not only intervene on issues with more frequency but also to provide more sophisticated information to government decision-makers.

In the remainder of this section we shall present first, a brief picture of the trade situation of the major sectors of the Canadian economy and the demands of major interest groups on trade policy-makers in the 1970's and second, analyse the behaviour of interest groups in the light of the findings of political scientists who have studied the role of these groups in Canadian politics.

a) The Trade Situation and Views of Major Canadian Industries or Sectors

The occasion of the Multilateral Trade Negotiations or MTN ("Tokyo Round") in Geneva provides a convenient opportunity for the study of pressure group demands on Canadian trade policy makers.

Many of the representations of these groups to the Canadian Trade and Tariffs Committee (CTTC) have been made public and collectively they provide a snapshot of the trade problems and views of major industries in the mid-1970's.

i) Agriculture

The Canadian agricultural industry is far from homogeneous in its trade interest. The cereal and feed grains sector is already highly export-oriented and its major interest lies in the area of liberalizing foreign barriers to our grain exports, particularly in the EEC and Japan, and in price and reserve stabilization. At the other end of the spectrum, the dairy sector and the fruit and vegetable sector have proven vulnerable to foreign competition. They also lost significant markets when Britain joined the EEC.

The tariff (statutory and seasonal) and Import Control List have protected these sectors for many years. In a more intermediate position lies the livestock sector: the beef industry has historically been quite healthy in Canada, but periodic import and export crises have occurred, such as those of 1972 when Canada temporarily limited imports from the U.S. and in 1977-78 when American cattlemen blockaded the border and demanded protection from their government. The pork, poultry and lamb sectors have been more consistently subject to import pressure: turkeys, eggs and veal are presently on the Import Control List.

The agricultural sector is, moreover, extremely sensitive politically, due to the regional concentration of production (eg. grains on the Prairies, dairy products in Quebec and Ontario, fruits and vegetables in Ontario and British Columbia), the recent organized consumer interest in food problems (as evidenced by the controversies

surrounding the Food Prices Review Board), and the "social policy" aspects of agricultural policy - the maintenance of agricultural employment and income stabilization. Canadian markets for many products have been controlled by governments and this has necessitated the control of imports to prevent them from undoing current government price policies.

The major interest groups in agriculture are the Canadian Federation of Agriculture, an umbrella group, and the sectoral associations such as the Canadian Cattlemen's Association, the Canadian Horticultural Council, the Canadian Pork Council and the Dairy Farmers of Canada. The Federation, in its representations to the CPTC, has found it difficult to reconcile the competing trade interests of its various regional and sectoral components. The major themes of its CPTC brief were the protection of the weak sectors from foreign (primarily American) competition, the opening up of markets in the major industrial economies, and the lowering of tariffs on many farm production input goods. The first two of these themes are exceedingly difficult to achieve in any international trade negotiations - negotiating access to the EEC for grain exports will not be made any easier for instance by maintaining or expanding protection of the dairy sector. A recent Tariff Board recommendation to increase statutory tariffs on fruits and vegetables will make for a painful decision by government, since it is difficult to see how equivalent compensation to trade partners under Article 28 of the GATT can be offered without alienating some other farm sector.

ii) The Primary Resources Sectors - Forestry, Fishing and Mining

The forest products industry can be conveniently divided into its wood products sector, concentrated in British Columbia, and the

pulp and paper industry (this might perhaps more strictly be considered under manufacturing, but for the sake of convenience, we shall review it here), mainly in Quebec and Ontario. Both sectors are highly export-oriented (75% of pulp and paper production, about 60% of lumber and plywood), especially to the United States, though the EEC and Japan are increasingly important markets. Together these industries account for 12% of total Canadian exports. The pulp and paper sector is Canada's single largest manufacturing employer. Generally speaking, the Canadian industry is highly competitive and supportive of trade liberalization, particularly improved access to foreign markets. The major exceptions are fine papers, paperboards and plywood, which are highly protected both at home and abroad. The Canadian Pulp and Paper Association and the Council of Forest Industries of British Columbia are the most relevant interest associations.

The Fisheries Council of Canada speaks for the fishermen's cooperatives and fish processors on the Atlantic and Pacific coasts, and some inland waters. The industry employs about 100,000 Canadians who are of course very concentrated regionally and exports some 65% of production, in order of importance to the United States, the EEC and Japan. Canadian fish imports are concentrated in the shellfish category, and tariffs are relatively low, with a few exceptions, like canned salmon, tuna and shellfish. The Fisheries Council's major goals for the Geneva negotiations are similar to those of other major resource based industries: reduction of EEC and United States tariffs on canned fish (British entry into the common EEC external tariff for example adversely affected salmon exports), reduction of Canadian

tariffs on tin and aluminum cans, and changes in the escalating American tariff structure which discourages further processing in Canada. The Council also calls for the use of permits for foreign fishing in the 200 mile zone as a bargaining tool to effect greater access to overseas markets.

As far as the minerals sector is concerned, mineral and metal exports are of enormous importance to Canada's trade picture (some 30% of exports and 40% when mineral-based manufacturers are included) and this sector is perhaps Canada's major trump card in the international equation of comparative advantage and a pillar of any Canadian manufacturing strategy. The mining industry is not an enormous employer by itself, but its employment linkages to the transportation and manufacturing sectors are crucial. The existence of numerous "one-industry towns" creates special problems and pressures. High levels of foreign ownership in this industry and its vertical integration from mining through smelting, refining and semi-fabrication, are also important to industry views on trade policy. Constitutionally, provincial governments have primary responsibility for these industries and are major influences on Ottawa trade policies as they relate to mining.

Unlike many other sectors of the economy, the trade issue for the mining industry is not primarily one of import competition -- Canadian tariff and other barriers are low (for example, ores and concentrates of bauxite, copper, zinc, lead and nickel are duty free, but tariffs are in the 5-12% range for semi-fabricated items). The major concerns of the industry, as expressed by the Mining Association of Canada, which represents about 97% of output, are

threefold. First, the industry wishes to negotiate greater access to the major export markets in the EEC, Japan, and to a lesser extent the United States, and to reduce tariff escalation in these markets. The United States has in recent years imposed quotas on lead and zinc and has prohibitive tariffs on molybdenum. The EEC tariff on copper ores is zero at present but it rises to 8% on semi-fabricated copper. This aim is shared by the federal government which based its "sector approach" to the MTN on such analysis, but the multi-nationals involved in Canadian mine production are less enthusiastic about resource upgrading than Canadian companies. The "sector approach" will in any case be difficult to achieve, given the high capital and labour costs, transportation and tax cost, and the small domestic market, all of which militate against location of further processing in Canada³.

Second, the mining industry is concerned about competition from other, primarily developing producer countries for access to industrial markets, particularly in periods of excess supply. A real bugaboo of the industry is the granting of preferential tariff rates under the GSP to developing countries by some industrial countries. Canadian copper faces an 8% tariff in Japan, for example, while entry is free for LDC's. A third theme of the mining industry concerns the level and stability of world prices. The Association opposes the negotiation of commodity agreements with economic or market intervention provisions, partly due to reservations about the effectiveness of such agreements and partly because they fear that such agreements, which are being discussed under the auspices

of UNCTAD, will contain elements which give a competitive edge to developing countries.

iii) Manufacturing

The problems of the Canadian manufacturing sector, and its sorry export performance, and import competition performance, are by now well documented. In addition to short-term problems such as comparative wage rates and the level of the dollar which affect the import-export balance, certain structural problems have been identified. The Economic Council's 1975 report entitled Looking Outward has summarized these structural problems:

One of the basic causes of our poor productivity performance is the type and organization of manufacturing fostered by the commercial policies adopted by Canada and other countries over the years... In Canada, in contrast with primary or resources industries, most of the manufacturing sector has been unable to achieve economies through access to larger external markets because both Canada and its major trading partners have provided much more protection for highly manufactured products. At the same time, Canadian protection has allowed manufacturing firms operating in Canada to increase their prices behind the tariff and so maintain otherwise uneconomic production runs.⁴

Thus low comparative productivity, based on short production runs and too many firms in some industries, and these in turn related to the high levels of tariff protection, constitutes the fundamental structural problem of the Canadian manufacturing sector and explains its poor overall competitive performance. To be sure, the competitive position of individual industries does vary greatly. At the one extreme lie a number of severe problem industries, such as textiles, clothing, footwear, furniture and some standard electrical items, where the above problems are compounded by sharp wage differentials between Canadian firms

and firms in developing countries. These sectors have proven the vanguard of protectionist tendencies in Canada. At the other extreme lies a small group of highly competitive manufacturing industries, such as telecommunications, automobiles, pulp and paper, and agricultural machinery, which have held this enviable position through a combination of resource-intensive production and low international (or North American) trade barriers. In the middle lie numerous industries which are probably potentially competitive, if industrial rationalization (in terms of specialization of firms and product lines) and more dynamic research and development practices can be developed⁵.

The manufacturing sector is generally concentrated in Ontario and Quebec, and this correlation to the areas of highest population density helps explain the maintenance of a tariff structure which has in the eyes of perhaps the majority of economists outlived its usefulness in terms of the infant industry rationale and come to act as an impediment to serious rationalization. The political problem is of course particularly acute in Quebec, where most of the severe problem cases are located.

The Canadian Manufacturers Association, which represents about 75% of firms in this sector, has traditionally opposed tariff reductions, partly because it is dominated by the less competitive industry members. In its two submissions to the Canadian Trade and Tariffs Committee, the CMA has emphasized several themes. After alluding to a worsening trade balance in end products, the brief concludes that "it would be naive to conclude that Canada has an overriding need to remove trade

restrictions to our markets"⁶ and that Canadian trade barriers "are not sufficient to arrest the declining share of the domestic market in many key sectors" held by Canadians⁷. It also proclaims that "manufacturers are also concerned that the pure theory of international trade is too dominant a philosophy in Canada's approach to multilateral trade negotiations"⁸ and criticizes the "sector approach" for overemphasizing "further processing" of raw materials and undervaluing the establishment of high technology, end-products industries. On specific MIN topics, the CMA opposes the use of a general tariff-cutting formula and argues that "the few remaining restraints on imports into Canada are justified", (although it does not propose increased tariffs), proposes the termination of British preferential rates to the United Kingdom, opposes adoption by Canada of the Brussels Definition of Value but supports adoption of the Brussels Nomenclature, and argues against any Canadian concessions on government procurement until trading partners "indicate their willingness to adopt a (similarly) liberal policy" as Canada⁹.

(iv) Exporters and Importers

As is the case in all countries, these groups are the core in Canada of the "trade-biased" sector, to use Walter's terminology. The Canadian Export Association is the stronger of the two groups and is an advocate of trade liberalization, but the intensity of the Export Association's commitment is modified somewhat by the diverse composition of its membership. In addition to the primary industries with a clear export orientation, the CEA's 400 odd

member companies include many secondary manufacturing firms with only a marginal export orientation or which have certain product lines which depend on the protective tariff for survival. As a result, the CEA's MIN recommendations emphasize the reduction of foreign barriers to Canadian exports (especially some United States policies such as the "Buy American" Act, countervailing and anti-dumping legislation) but make concessions to its less competitive membership by de-emphasizing tariff reductions. The association also strongly supports the notion of Canadian participation in an export controls (for natural resources) code of behaviour being contingent upon improvements in access to foreign markets for Canadian exporters. The CEA is considered a highly competent and effective lobby in Ottawa circles, and this is not surprising, given the importance of these generally dynamic companies to the Canadian economy. The relationship between governmental elites and the association has, for this reason, been one based more on partnership and close consultation than adversary behaviour.

— The Canadian Importers Association, probably the group in society with the clearest interest in free in freer trade, has been in more of a conflict relationship with government, particularly over quantitative restrictions on textile imports and the import control programs administered by Revenue Canada (anti-dumping, customs administration). The CIA represents only about 800 importers, a minority of all Canadian importers, and like many of the relatively weak (in political terms) interests it has tended to be rather shrill in its argumentation and publicly critical of trade policy decisions. Its credibility in government

circles has probably been limited by these tactics, by the knowledge that it represents only a few thousand people, and by the generalized perception among trade officials that importers are in many cases a somewhat parasitic group. The CIA has recently undertaken an image improvement campaign, beginning with the provision of technical services to exporters.

v) Consumer Organizations

The Consumers' Association of Canada has intervened periodically on trade policy issues to defend the consumer (especially the low income consumer) interest in keeping import barriers to a minimum. The occasions for intervention have been restrained by the limited resources of this organization, as well as a perhaps natural tendency for this still youthful movement to relegate the international aspects of consumer protection to second place behind the domestic questions of competition policy and product standards. The CAC's interventions have concentrated on high profile import matters such as quantitative controls on textiles and agricultural products (e.g. eggs, turkeys) and tariffs on sugar and fruits and vegetables. The Association's impact as a trade policy lobby has been limited by inadequate financial and research resources as well as periodic internal divisions: on many of the issues involving imports from developing "cheap labour" countries, the Quebec wing of the association and many individuals in the 100,000 strong movement in other parts of the country have proven sympathetic to local labour and business appeals for protection, and the position of the national organization has thus been undermined. While strongly committed to trade liberalization on price questions, CAC has perhaps had its

greatest influence on the side of health and safety, standards, packaging and labelling regulations which sometimes constitute non-tariff barriers to imports. Perhaps the most important role of consumer organizations arises out of the simple fact that they are there to be alluded to by policy-makers wishing to resist protectionist demands.

vi) Labour

The influence of organized labour on Canadian trade policy would appear to operate primarily at the local and industry union level, via pressure on Members of Parliament and in unison with management in cases of import competition. The textile and clothing unions in Quebec and the United Auto Workers in Ontario have been important actors in the making of textile import policies and the evolution of the automotive agreement.

The Canadian labour movement, as a whole, has not proven a very effective influence. The Canadian Labour Congress has taken a position in favour of further trade liberalization, but many of the local or industry sector unions have openly criticized this stance. These divisions in the movement have undoubtedly weakened its impact on Ottawa. Labour's influence is also weakened by the political partisanship of the CLC and its adversary tactics which, for example, led the Congress to withdraw from many government-private sector consultations during the period of wage and price controls. Perhaps the most useful contribution of the CLC, as well as some of its member groups like the Auto Workers, to the trading environment, has been at the level of attempting to restrain the growth of protectionist sentiment in the American labour organizations, especially during the early 1970's via participation

in international unions. It is difficult to gauge this influence precisely, but in some cases, for example elections in the Auto Workers international, it was not inconsequential.

b) The Behaviour of Interest Groups and Interactions with Government

There is a growing political science literature on the role of interest groups in Canadian politics. Helen Jones Dawson wrote a summary article on their role in the policy process in 1975, and our comments here are based on her generalizations, as well as Robert Presthus' comprehensive quantitative study¹⁰. Although we are aware of no specific case studies done on interest group lobbying on trade issues (Clark's 1939 study of the Canadian Manufacturers Association perhaps comes closest)¹¹, our evidence indicates that their behaviour on trade matters does not markedly differ from lobbying on most other issues. This should not be surprising, given that the groups lobbying on trade policy are pretty much the same organizations as those which have been studied by political scientists on other issues. The following comments seem in order:

- i) Canadian interest groups are an integral part of the policy process in Canada, and are generally regarded by bureaucratic and political policy makers as legitimate and positive forces in the political process. For politicians these groups are a day to day link with the electorate. For bureaucrats they are a source of both technical and political information on policy options. In the political system it is interest groups which usually initiate sequences of events leading to governmental decisions. Presthus has described the policy-making process in Canada as essentially

one of "elite accommodation", where:

government tends to play an active, brokerage role vis-à-vis major social and economic interests. The government elite, in a word, invites such groups to organize their claims, rationalize any conflicting demands within their various constituencies and present them as effectively as possible to a government whose definition of its own role is essentially that of allocating public largesse among them... The national political process is essentially one of continual, ad hoc bargaining and compromise, in which the resolution of the claims of a bewildering variety of interests is often the major activating force in the behaviour of governmental elites.¹²

ii) At the national level, interest groups are generally federations of provincial or sectoral groups, which often hold divergent views, and some reconciliation of differences must be done within the federations themselves if they are to be successful. This reality also means that the most effective lobbying is done by the industry-specific associations as opposed to the umbrella groups. The industry specific groups are usually better documented and often have one or more Members of Parliament on their side in caucus. Umbrella groups concentrate on exercises like the MIN, where whole sectors of the economy are on the table. With a few exceptions, such as the Canadian Labour Congress, they avoid political partisanship. The groups active on trade issues vary greatly in resources - the Canadian Manufacturers Association is equipped to provide numerous trade services to its members (e.g. customs, export procedures) and has the capability of quick interventions, while a group such as the Consumers Association has only one officer working on trade issues, with the result that interventions are relatively infrequent and not fully documented.

iii) Presthus found that the targets of interest group influence attempts are by volume concentrated in the bureaucracy and in Cabinet, with Members of Parliament and senators being a distant third¹³. The general pattern is for lobbying at ministers to be highest during the formalization stage of legislation, for the groups to concentrate on Members of Parliament during the committee stage and for the bureaucracy to be the prime target during the implementation process. In the field of trade policy, which may or may not involve legislation, interest groups generally have a good "feel" for what questions should be brought to the attention of ministers, bureaucrats and Members of Parliament. It is primarily the local, smaller firms and other interests which lobby Members of Parliament. Bureaucrats are more likely to be targets for questions which are relatively less sensitive politically (such as the more routine requests for temporary tariff reductions, drawbacks, countervailing and anti-dumping duties), while the most sensitive questions (like requests for quantitative controls and changes in statutory duties) tend to be brought to the attention of ministers, of the responsible department, special interest departments, or who are regional spokesmen. These are of course only tendencies and there are many exceptions.

iv) Interest groups have used numerous methods of communicating their claims to decision-makers. The most important method is probably the formal or informal brief to the responsible minister, the "special interest" department minister or the minister having regional responsibilities. Joint briefs between allied groups seem particularly effective, as evidenced by the joint representations

of primary textile and clothing manufacturers in the period leading up to November 1976 clothing quotas (see case study). Trade policy is one area of public affairs where there has been a great deal of institutionalization of the lobbying process - through such mechanisms as the Textile and Clothing Board, the Tariff Board, the Anti-Dumping Tribunal and, for the multilateral trade negotiations, the Canadian Trade and Tariffs Committee. Most departments moreover have advisory boards to communicate industry claims to ministers.

v) What determines the degree to which the competing interests get their way? One has to understand that the minister and his senior advisors are in a difficult position on trade policy. They are subject to many vocal and competing domestic demands, there are international "norms" to the effect that protectionist measures are undesirable, the official general trade policy is one of liberalization, and any introduction or strengthening of protective actions are subject to GATT legal constraints and retaliation by our trade partners. Policy-makers therefore need some principles upon which to make these difficult decisions. One thing is at once clear: groups which are perceived as not being understanding of the policy-maker's delicate position and who are seen as attempting to embarrass policy-makers or enter into partisan politics are at a distinct disadvantage. Many policy-makers in Ottawa believe for example that the Consumers Association has made these errors on several occasions. Similarly, poorly documented cases will be rejected quite easily. But probably the most important criteria for choosing among group claims are the political strength of the groups involved on the one hand and the calculation of the

international costs of any given action on the other. On the count of political strength, it is probable that groups which represent large blocs of voters (such as import-competing manufacturers, compared with the export-oriented resource sector) have an advantage, particularly when the voters are strategically located. Campaign contributions to political parties are always a latent consideration. The intensity of this representation is also important; politicians are clearly more sensitive to potential lost jobs due to import competition than they are to groups like the Consumers Association which claims to represent all Canadians, but which in the end represents very few, since decision-makers know that very few people vote in terms of their roles as consumers, at least in normal circumstances. Internal divisions within interest groups are also fatal, since, in view of the difficult position of policy-makers in the trade field, they will take advantage of this opportunity to reject demands. The most important constraint on protectionism is quite probably the fear of retaliation by trade partners.

Certain conditions tend to favour the ease with which protection claims are accepted or rejected. Minority governments or governments facing elections in the near future often swings the balance in the direction of protection. General economic conditions are important: in periods of rapid expansion firms find it easier to adjust to import competition and inflation is usually a paramount concern; thus governments find it much easier to resist protectionist demands.

And the context of decision-making is relevant: in an exercise such as the multilateral trade negotiations, because all the cards are on the table and governments can play interest groups off against one another, the ability of policy-makers to base their calculations

on national opposed to particularist interests is strengthened. In ongoing, case-by-case decision-making on the other hand, the forces involved in a particular decision are likely to be dominated by the protectionist forces, a situation which John Kirton aptly referred to as the "fragmentation effect" whereby case-by-case decision-making in a policy field tends to favour particularist forces¹⁴.

vi) What we have just described are the general principles of interest group-government relations and the factors which in a given case tend to swing the balance either in the direction of protection or liberalization. In the end, policy outcomes seldom amount to complete victory for any one interest, although there are crisis-type situations, such as the one described in our case study on clothing imports, which approximate this situation. In the overwhelming number of instances, policy outcomes reflect compromises between the claims of interest associations, with the pendulum tending to settle on one side or the other. For some of the reasons outlined above, in the isolated case the advantages seem to lie somewhat on the side of protectionists either in the form of increased protection or most common, maintenance of existing levels of protection. Consequently liberalization of trade barriers tends to occur mainly through periodic international trade negotiations, where the "fragmentation effect" can be neutralized, and in those happy but all too uncommon situations of economic expansion.

2. The Provinces

Provincial interest and participation in trade issues has substantially increased in the past decade or so. Only three provinces, Nova Scotia, Newfoundland, and Ontario, made representations to the

Canadian Trade and Tariffs Committee prior to the Kennedy Round negotiations in the mid-sixties. This contrasts greatly with the situation leading up to the Tokyo round talks, where not only all provinces have briefed the CTTC of their concerns but extensive and in-depth consultations between federal and provincial senior officials and ministers have taken place. The initiative for this rising provincial role came more from provincial demands than from largesse on the part of the federal government. Probably the major explanatory factor has been a growing concern in the provinces over economic and industrial development, including diversification, and increasing independence of mind vis-à-vis federal government in these matters. Many important Canadian industries moreover are wholly or mostly located in a single province, examples being automobiles (Ontario), textiles and footwear (Quebec), forestry (British Columbia), grain (Saskatchewan) and pulp and paper (Quebec). The international implications of policies affecting the health of these industries or the development of new ones has become more salient and industrial growth is now seen clearly to be affected by both Canadian and foreign trade barriers. Most provinces have shown a decreasing willingness to leave these matters to Ottawa, particularly as some have publicly expressed concern that Ottawa might favour some provinces over others in its MIN concessions.

As is well known, the Western and Maritime provinces have traditionally supported trade liberalization while Ontario and Quebec governments demanded protection for the weaker industries (which of course include a large proportion of industries). Today, Ontario's interests are more mixed than most provinces. The mythology of Free Trade is particularly strong in the West. The costs of tariff and other protection

are felt to weigh too heavily on Western consumers and these legitimate concerns have combined with other Western frustrations to produce some rather shrill statements on the issue, such as that offered by Alberta Minister of Federal and Intergovernmental Affairs, Lou Hyndman, in 1978 that:

we've been sold down the drain in the various tariff rounds since the second war and when the ink dries this fall on the latest tariff negotiations, we don't want to find the west behind the eight ball again.¹⁵

Western provinces have of course proven willing to demand protection when it comes to such weak industries as plywood in British Columbia, clothing in Manitoba, and (periodically) beef on the prairies, but in general western industries are export-oriented and competitive in international markets. The maritime provinces, while generally sympathetic to the western consumer exploitation argument, have been less publicly hostile to Ottawa trade policies, probably because of dependence on federal transfer payments. In general provincial governments are perceived in Ottawa as rather narrow in their representations on trade issues.

The provinces have played both initiating and policy roles. On the side of initiating changes in federal policies, one of the most common behaviours of provincial governments is to act as conduits for the transferal of local interest group desires to the Federal Government. For example, both the Quebec and Manitoba governments, which sit on the Minister of ITC's Textile and Clothing Advisory Committee, invariably support the industries' demands for increased protection via the Import Control List. Provincial interventions of this sort are encouraged by the fact that on many trade issues, for example import competition, there exists a community of interest at the local level between management

and labour and there are consequently few political risks for provincial governments in taking rather narrow positions supportive of local industries. Indeed, and in contrast to the federal government which because of its national constituency can never please everybody on its trade decisions, there is much political hay to be gained by provinces taking hardline, but narrow positions favouring local interests, particularly since they are usually being pressed by their own opposition parties. This provincial narrowness is also encouraged by the fact that most provinces do not have very diverse economies, most being either resource based or dominated (at least in terms of population) by manufacturing, and thus provincial governments are generally able to take fairly straight forward protectionist (Ontario and Quebec) or liberal (most of the others) stands. In fact, as far as the difficult trade-offs between economic sectors, socio-economic groups and the domestic-international balance are concerned, the buck is passed to Ottawa.

There is some recent evidence of change however. As the desire for industrial diversification grows in the provinces, the process of reconciliation of opposing interests is beginning to occur somewhat more at the provincial level than before. For example, in response to international criticisms Ottawa was able to persuade Ontario to narrow the gap between mark-ups on imported and domestic liquors prior to the March 1978 Ontario budget¹⁶. The traditional Western free-trade bias is starting to become more subtle as provincial governments demand infant-industry protection for their nascent manufacturing sector.

As Maureen Molot has observed:

as long as the provinces and resource companies agreed on the export of natural resources in unprocessed form, there was a community of interests

between them... With the rise of provincial government concern for economic diversification, ... splits began to occur in provincial government - resource sector relations.¹⁷

These recent signs of change do not appear, however, to have encouraged provinces to think in terms of national conflict resolutions, and a great deal of interprovincial competition for new industries and thus divergent trade positions still remain. The provinces continue to take narrow positions in the 1970's before the Canadian Trade and Tariffs Committee and in the Federal-Provincial Committee of Deputy Ministers of Industry set up to facilitate consultation between Ottawa and the provincial capitals on the MTN, each province demanding liberalization of foreign barriers for its resource industries and protection for its infant or declining industries. Ontario's submissions to Ottawa, for instance, propose United States tariff cuts on Ontario's industrial and resource exports to the United States, the removal of tariff and NTB escalation in foreign countries, and the maintenance of the Canadian tariff structure, as well as tinkering with value-for-duty provisions of the Customs Act to protect fruits and vegetables and further safeguards in the autopact to protect production in Ontario. The provinces have been slow to recognize that trade-offs between sectors must be made in any international negotiations and that one can not have it both ways. This is the usual source of the typical comment by senior federal bureaucrats to the effect that "it is more frustrating to deal with the provinces than with foreign governments".

There has also developed a growing provincial policy role on trade issues. The provinces do have constitutional power over natural resources and thus they have enjoyed some policy input into the trade

aspects of the mining and forestry industries. The provincial Treasury and Industry departments, especially in Ontario, Quebec and Alberta, are developing more expertise. Recent initiatives in the field of export promotion, including the setting up of trade offices abroad and ministerial trade promotion and negotiation trips overseas (e.g. Premier Regan's 1973 trip to the United States concerning United States countervailing duties on Michelin Tire) are good examples. A series of federal-provincial conferences at the ministerial level in late 1977 and 1978 have given the provinces something closer to a policy role in the MTN and Mr. J. Chrétien's recent consultation with the provinces on the April 1978 federal budget (including tariffs) may set a precedent. Of course, the provinces have long had a policy role in the erection of non-tariff barriers, most notably in the area of procurement for Liquor Control Boards and provincial utilities as well as provincial tax and other industrial development subsidies.

3. Parliamentary Actors - Parties, Members of Parliament, Senators

Although the making of trade policy is a very political activity, the cleavages involved tend to be local and regional interests vs. some conception of the "national interest", rather than between political parties. Up to about the time of the Depression, the two major parties were distinguishable, at least in terms of rhetoric; the Liberals being identified with Free Trade and United States-Canada reciprocity and the Conservatives with the high tariff wall of Macdonald's National Policy and British preferences. John Weir has argued that even in this period, electoral rhetoric aside, the behaviour of the parties when in power was not all that different¹⁸. The National Policy was in Sir John A.'s mind a second-best solution implemented after he failed

to win American support for reciprocity at the Washington conference of 1871 and which he hoped would be a bargaining tool to achieve the desired goal of reciprocity. It was Laurier the Liberal who introduced British preferences in 1897 and the Tory R.B. Bennett who both raised the tariff to its highest level at the outset of the depression and negotiated major cuts with the United States after the 1934 United States Trade Agreements Act. After the Depression, even much of the rhetoric subsided. Weir observed:

After the 1930's, the tariff ceased to be a political issue in Canada... The parties seemed to accept the existing level of protection. As Eric Kierans has put it, 'During election campaigns, the Liberals insist that tariffs cannot be raised, and the Conservatives insist that they cannot be lowered.'¹⁹

What remains today is minimal party difference in trade ideology, if indeed pronounced differences ever existed. What seems to distinguish the parties at any given moment is whether or not they are in power. Parties in power have at least attempted some reconciliation of sectoral and regional conflicts in terms of "national interest". Opposition parties tend to refer to individual cases and take the side of local, protectionist forces, from which some political hay can be expected. In ideological terms, both parties shy away from dramatic departures, such as Canada-United States free trade (memory of 1911?)* concentrating on largely symbolic gestures like the Third Option.

The present role of Members of Parliament is consistent with these trends. Both opposition Members of Parliament and government

* Although some leading politicians such as Robert Stanfield have publicly supported a Canada-United States Free Trade Area, this has been done after retirement. No major party platform or active leader supports the concept.

back benchers, with but a few exceptions, tend to intervene on trade matters to defend local interests threatened by import competition. There have been a few individuals in the House who have consistently defended some "national" concerns such as the consumer interest, the promotion of a consistent industrial strategy, or internationalist principles but this is not the rule. The lack of consistent trade ideologies among Canadian political parties is well illustrated by the not uncommon practice of opposition members arguing for higher protection for some industry and then afterwards slamming the government for associated rises in consumer prices or want of industrial strategy.

Members do enjoy some influence over trade decisions, stemming from their role as a conduit for interest group demands (particularly small local interests rather than the large associations), and in a more limited way, via parliamentary committees such as the Standing Committee on External Affairs and National Defence. It is government Members of Parliament which have the greatest influence (in caucus), partly because many interest groups are reluctant to use opposition Members of Parliament whom they fear will use the interest group to score political points and thus alienate the government, and partly because ministers tend to pay less attention to opposition members' interventions than to caucus members. A minister interviewed was conveying a candid piece of political horse sense in stating that "governments probably fear more losing a seat already won than hope to gain a seat by responding to opposition demands for protection"²⁰. The influence of opposition Members of Parliament does of course increase considerably in periods of minority government. The interventions of backbench Members of Parliament, government or opposition,

are almost invariably protectionist in content.

Parliamentary committees have proven a largely ineffectual avenue of backbench influence, since they usually discuss the larger issues in a non-technical way and are in any case rather impotent institutions and too public. The Finance, Trade and Economic Affairs Committee has discussed several pieces of trade legislation such as the Textile and Clothing Board Act in 1970, the Anti-Dumping Act in 1968, and amendments to the Export and Imports Permits Act in 1974, and has periodically interviewed witnesses from the ministry and bureaucracy on the Multilateral Trade Negotiations. On the whole, most of the trade issues other than the individual interest group demands are too technical and often secret to permit any real committee influence. One exception to this rule was the ability of the SCEAND Sub-Committee on International Development to liberalize somewhat some Canadian positions at UNCTAD IV in 1976. This was done more by the force of moral arguments relating to developing countries (to which the Prime Minister proved receptive) than by technical expertise on the part of Members of Parliament.

The influence of the Senate is very limited, as one might expect given the general impotence of this non-elected body, but there has been the odd case of Senatorial influence.⁰ As is outlined in one of our case studies, the Senate report on the Textile Industry during the summer of 1976 was an important stage in the sequence of events leading up to the November 1976 global quotas on most clothing items. During the 1960's a Senate report on Canada-Caribbean relations induced some changes in tariffs affecting these countries.

4. Foreign Governments and the International Environment

The trade decisions of all governments are influenced by the views and actions of other governments and by the constraints imposed by the international economic, legal and diplomatic environment. This statement holds particularly true for countries such as Canada with a small and very open economy in which approximately one-quarter of its GNP is exported and imports are roughly equivalent in volume. These international environmental constraints are fairly straightforward and may be listed.

i) Certain characteristics of the Canadian market:

Its relatively small size makes it especially vulnerable to import competition in many product lines and its cultural and economic integration with the larger United States market means that overseas exporters may on occasion flood the Canadian market if trade policy differences between Canadian and American governments give them an incentive to do so. It was in large part this fear which discouraged Canada from proclaiming its GSP legislation much in advance of the United States. On the other hand, the smallness of the Canadian market in relation to the North American market can allow greater protection in certain circumstances, as may be the case with certain non-tariff measures (if they differ from the United States) such as packaging and labelling requirements which foreign exporters may not find it worth their while to meet. The smallness of the Canadian market is also a key reason for the importance of foreign markets to Canadian producers, and this provides a real constraint upon protectionist actions.

Another characteristic of the Canadian market which limits the ability of governments to pursue their desired trade options is the heavy level of direct foreign, especially American, investment in Canada. The fact that much Canada-United States trade is in the form of transfers between parent and subsidiary companies has implications for trade diversification schemes such as the Third Option. Furthermore, the heavy concentration of Canadian trade in the North American continent (about 70% with the United States) means that Canadian policy-makers must constantly keep in mind the reaction of the United States to their proposed actions.

ii) The actions and views of other governments profoundly affect Canadian trade policy decisions, in three major ways. First, membership in the GATT carries with it a number of rights (for example, emergency safeguard action under Article 19) and obligations (e.g. tests of injury prior to anti-dumping or countervailing action, Article 28 equivalent concessions for tariff increases). All governments have been quick to point out and demand retribution for what they regard as breaches of these obligations. After Canada imposed its clothing quotas of November 1976 for example, the United States complained to the GATT that the quotas were adversely affecting United States interests, since the problem arose from East Asian rather than American imports. After almost a year of negotiations, Canada agreed in September 1977 to cut tariffs by about 25% on certain textile fibres which are imported primarily from the United States, based on the Article 28 equivalent compensation principle. (It is indicative of the raw power on which international trading negotiations are usually

based that no such equivalent concessions were offered the East Asian countries in question). Second, many changes in Canadian tariffs and other barriers are initiated by foreign government representations, such as in multilateral and bilateral negotiations. The sentiment prevalent in Europe and the United States that Canada got something of a free ride during the Kennedy Round may well have a profound effect on what concessions Canada must make at the MTN²¹. Finally, foreign government actions have implications for Canadian trade performance and often lead to decisions to ease the blow. Clear examples are provided by the August 1971 American import surcharge, the United States countervailing duties against Michelin tire exports, and the OPEC actions of 1973, which led to serious re-examination of Canadian industrial support and trade policies.

iii) The international diplomatic environment at any given time provides another constraint upon Canadian decisions. During the 1950's the Cold War atmosphere affected for a time Canadian grain exports to Communist countries and the attempt was made by the United States to have Canada go along with the boycott on trade with Cuba. During the 1960's and 1970's, probably the most important diplomatic theme affecting Canadian trade policy has been the emergence of developing countries as a force in world politics and the new desirability in Western eyes of at least symbolically responding to this moral imperative. The introduction of the GSP by Canada in 1974 and participation in the UNCTAD commodity and other North-South negotiations are noteworthy examples.

NOTES - CHAPTER IV

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Chapter V: THE SPECIALIZED REVIEW ACTORS

One of the essential tasks involved in making trade policy is review of the merits of the arguments of the competing interests which come to government with demands on policy-makers. In contrast to the United States, Canada possesses no single and unified body such as the United States International Trade Commission to perform this function. Instead, we have four different sets of review actors playing the role, according to the instrument of trade policy under consideration. In probably the majority of such cases it is the bureaucracy which reviews the issues and merits of pressure group arguments. This is especially true of tariff policy where in at least ninety percent of cases the review is conducted in the Tariffs Division of the Department of Finance, in consultation with other departments. It is less true of special import policy where the review function is shared between the Textile and Clothing Board and an Interdepartmental Committee on Low Cost Imports.

Over the years there have been created three specialized mechanisms whose function it is to review the arguments of competing interests and to make recommendations to government, each in a particular area of policy. We refer to the Tariff Board on tariff questions; the Anti-Dumping Tribunal on questions of material injury in dumping cases and also other injury cases which do not necessarily involve dumping; and the Textile and Clothing Board on questions of injury to Canadian textile and clothing producers from imports.

The origins of these bodies are related to two major factors. There has first of all developed since the inception of the GATT an international "norm" to the effect that special measures of protection

should not be introduced without review of the case for injury, by bodies independent of the executive branch of governments. This norm was given formal status by Article 10 of the Agreement and later by the 1967 GATT Anti-Dumping Code and the 1974 Multi-Fibre Agreement on textiles. It is clearly in the interests of all states that such independent bodies exist. Another reason, however, is related more to domestic politics. Given that these issues tend to be of considerable political potency, such bodies can perform the function of "taking the heat off" decision-makers in the face of political pressures. It is easier for ministers to resist demands for increased protection when the case has been reviewed by an independent body. The reverse also holds true, however: it is easier to accept these demands when an independent body has investigated the matter. Part of the intent, then, for creating these bodies (though it has not always worked out this way in practice) was to get the ministers of Finance and Industry, Trade and Commerce off the hook in delicate situations by disarming critics, of whatever stripe.

In this chapter we shall introduce in greater detail the functions and past behaviour of the Tariff Board, the Anti-Dumping Tribunal and the Textile and Clothing Board.

1. The Tariff Board

Originally established in 1931, the Tariff Board was revived in 1949 after a period of wartime dormancy to meet Canada's obligations under Article 10 of the GATT. It has two principal functions: appeals and ministerial references. In its appeals function, the Board acts as a court in disputes between the Department of National Revenue and any party, producers and especially importers, who feel aggrieved by

decisions of the Deputy Minister of National Revenue, (Customs and Excise) on customs valuation, tariff classification and drawback (under Sections 47 and 49 of the Customs Act) and on his determination of dumping (under Section 19 of the Anti-Dumping Act). The Deputy Minister can also refer to the Board for its opinion any question relating to the valuation or tariff classification of goods, but this is considered by law to be an appeal as opposed to a reference. All Tariff Board appeals, of which there have been some 1500 since the establishment of the Board, are public and evidence is taken under oath. The appeals function is strictly one of interpreting the law as it stands and no recommendations are made as to what the tariff classification or valuation of goods should be.

The second, and more important function, at least from the point of view of policy-making, is that of ministerial references. Under Section 4.2 of the Tariff Board Act, the Minister of Finance can refer to the Board for enquiry "as to the effect that an increase or decrease of the existing rate of duty upon a given commodity might have upon industry or trade, and the extent to which the consumer is protected from exploitation". Such references amount to policy recommendations as to the proper rates and classification of duties, taking into account the interests of Canadian industries, consumers and international obligations. Over one hundred such reports have been issued to date, an average of about five or six per year, after public hearings at which were represented the views of producers, consumers and foreign interests. Most of these cases have been ones of long-standing controversy where the competing interests have been quite vocal and the issues complex, and where it has been the opinion of ministers that

there should be a full ventilation of the issue via the adversary process employed in Tariff Board hearings. Board references have also been important to Ministers of Finance as means of attempting to diffuse difficult political problems, a classic case of which was the 1977 report on fruits and vegetables, a situation where the horticultural industry had been demanding increased protection for many years and where the importance of the food issue had been one on which consumer groups and foreign interests had been particularly vocal. Other Tariff Board enquiries under its references function over the years include textiles, chemicals, iron and steel, sugar and potatoes.

The relevant interests seem on the whole satisfied with the independence and objectivity of the Board. Allegations of bias which are regularly levelled against the Textile and Clothing Board by the Canadian Importers Association and the Consumers Association of Canada have been spared the Tariff Board. Manufacturers are more concerned about the time it takes to file reports on appeals and references, but there are no fundamental criticisms. This relatively successful balancing act performed by the Board would seem based on a tradition of appointments of impartial members to the Board and the possession of an independent and highly qualified research staff. Membership on the Board is balanced regionally and according to economic interests. Perhaps the most unfortunate aspect of the Tariff Board, and on which we shall have more to say later, is that only a small percentage of tariff questions are referred to it.

2. The Anti-Dumping Tribunal

Dumping refers to the act of selling goods in export markets for less than the home market price. It is important to remember that

dumping is not necessarily bad. It can bring benefits to the importing country in terms of cheaper consumer goods and cheaper inputs into importing country manufacturers. The GATT Anti-Dumping Code negotiated during the Kennedy Round to supplement Article 6 of the Agreement recognized that dumping is nefarious only if it causes material injury or threat of material injury to producers in the importing country or if it retards the establishment of new industries in the importing country, and that only under these circumstances should anti-dumping duties be applied. A new Canadian anti-dumping system was set up in 1969 to conform to the provisions of the Code. Previously the Canadian mechanism for dealing with dumped goods, based on Section 6 of the Customs Tariff, had received much international criticism, emanating primarily from Britain and the United States, for its lack of a formal, case-by-case test of material injury¹.

The new system has two components. The Department of National Revenue, Customs and Excise, Anti-Dumping Directorate, determines whether dumping is occurring and by how much ("margin of dumping") and applies an anti-dumping duty upon "preliminary determination" of dumping. The process normally begins with a complaint from Canadian firms, but the Deputy Minister of National Revenue also has the authority to initiate investigations of possible dumping on his own or by reference from the Anti-Dumping Tribunal. These decisions can be appealed to a Dominion Customs Appraiser, to the Deputy Minister and to the Tariff Board regarding description of goods (whether they are of a "class or kind" made in Canada) and the normal and export values of the goods.

The second stage of the process involves an inquiry by the Anti-Dumping Tribunal, composed of four members and a chairman

reporting to the Minister of Finance. The Tribunal conducts hearings at which all interested parties can be heard, to determine whether dumping has caused or threatened material injury to the production of like goods or is materially retarding the establishment in Canada of the production of like goods. The Anti-Dumping Act requires that a finding be issued within 90 days and allows the Tribunal at a later date to review and change previous findings.

If no injury is found, the collected duties must be remitted. Even if injury is found, however, Cabinet may remit portions of the duty, for example to importers in certain regions of Canada, the market of which was not served by Canadian producers. An example of this occurred in early 1978 when pressure from British Columbia Members of Parliament succeeded in convincing Cabinet to remit duties to British Columbia importers of steel beams, because Algoma Steel Co., the injured Canadian producer, had not been a traditional supplier in British Columbia².

Since its inception in 1969 to the end of 1976, the Tribunal reviewed 50 dumping questions. In 17 cases material injury or retardation of establishment of plants was found, while in 7 likelihood of injury was found. The Tribunal decided that there was no injury in 21 cases, and in 5 other cases a combination of injury and no injury was found. These statistics are supportive of the general impression amongst interest groups and policy-makers of complete objectivity on the part of the Tribunal.

The Anti-Dumping Tribunal has another important review role, one not related to dumping. Under Section 16.1 of the Act, the Tribunal is required to "inquire into and report to the Governor-in-

Council on ~~any~~ other matter or thing in relation to the importation of goods into Canada that may cause or threaten injury to the production of any goods in Canada that the Governor-in-Council refers to the Tribunal for inquiry and report". This section was added to the Act in 1971 to cover petitions from Canadian manufactures for protection from general import competition which could not be reviewed by the Textile and Clothing Board. To date only three 16.1 references have been reviewed by the Tribunal, on canned mushrooms in 1973 (injury was found) and on footwear in 1973 (threat of injury) and 1977 (this last inquiry leading to global quotas on most footwear items in December 1977). Recently (1977) the Anti-Dumping Tribunal was given the task of reviewing Revenue Canada's determination of subsidization in countervailing duty actions, but so far no such cases have arisen.

The major complaint of Canadian manufacturers concerning the new anti-dumping system involves the length of time (sometimes up to seven months) it takes to go through the process of preliminary determination of dumping and inquiry as to material injury, though this wrath is not particularly directed at the Tribunal. It is difficult however to see just what can be done to speed up this process, given the technical difficulties involved and the nature of the GATT Code.

3. The Textile and Clothing Board

The Textile and Clothing Board Act was passed by Parliament in May 1971 as part of a "textile policy", the aim of which was to rationalize the Canadian textile and clothing industries through the use of various instruments which included adjustment assistance and measures of special import protection. The role of the Textile and Clothing Board was to give consideration by means of public inquiries

to industry demands for protection, as a result either of representations directly to the Board or references to the Board from the Minister of Industry, Trade and Commerce. The Board, which consists of three members including a chairman, is required to examine in confidence the adjustment plans of the complaining firms submitted to it. In rendering its judgement, the Board is required to take account of such factors as the consumer interest, Canadian obligations under the GATT and the Arrangement Regarding International Trade in Textiles, and most fundamentally "the principle that special measures of protection are not to be implemented for the purpose of encouraging the maintenance of lines of production that have no prospects of becoming competitive with foreign goods in the market of Canada if the only protection to be provided is that provided at any time by rates of duties of customs" (Section 18, TCB Act). The Act empowers the Board to recommend in an interim or final report "whether, in its opinion, special measures of protection should be implemented" (Section 17.(1)), and these recommendations are then considered by the Minister of Industry, Trade and Commerce. The TCB is also obligated under Section 19 of the Act to "keep under constant review... the progress of any adjustments made by producers of textile and clothing goods pursuant to plans submitted to the Board... for the purpose of recommending to the minister the modification or the removal of any specific measures of protection as soon as circumstances permit".

The Textile and Clothing Board has been surrounded in controversy since its establishment. Certainly this reflects the general political sensitivity of a troubled industry which employs a quarter million people, mostly in Quebec, and the importance attached to clothing by consumer groups, as well as the international development dimension of

the problem (see case study). But more specifically, several questions have been raised concerning the TCB's interpretation of the Act and the attitudinal characteristics of the Board's membership.

The first type of question about the Board and the textile policy concerns the interpretation of Section 18 of the Act, quoted above. Given that protection over and above the tariff (which is in the 25% range on most textile items) is not to be provided to firms with "no prospect of being competitive", do wage rates count as an element of comparative advantage? The Canadian industry may be as technically efficient in terms of output per man as any in the world, but when all is said and done the fact remains that wage rates and thus production costs are far lower in developing countries than in Canada. The Board has seemingly taken the view, increasingly so in recent years as the possibilities for improving technical efficiency have become exhausted, that wage differentials are an illegitimate element of comparative advantage. Protection well beyond the tariff has consequently been offered the industry in increasing doses. It is not surprising therefore that the Board and the textile policy have come under sharp criticism from consumer groups, importers, academic economists, development interest groups and foreign governments, as well as in private from officials in the departments of Finance, External and even Industry, Trade and Commerce.

The Board is also frequently accused of possessing a pro-industry bias, particularly by the Consumers Association of Canada and the Canadian Importers Association, but also from some government sources, and of being subject to political pressure. Critics also charge that the Board has neither the capability nor the willingness

to do an adequate job of keeping under constant review the progress made in industry adjustment plans, and there seems to be merit in at least the capability part of the argument. Several of these criticisms were summed up by a senior Industry, Trade and Commerce interviewee:

"You should understand that the Textile and Clothing Board was really created to give a political cushion to the Minister of Industry, Trade and Commerce, to get the minister off the hook by providing him with sound advice that the interest groups could not criticize. Instead what has happened is that the Board just passes the can back to the minister by continually supporting the industry point of view. They lack the resources for effective analysis of adjustment plans and confidentiality prevents them from being seen by us in Industry, Trade and Commerce, who have the expertise and have to make the decisions on protection."

If these arguments are true, it may be improper to blame the Textile and Clothing Board. It is in a difficult position, caught in the crossfire between competing and vocal interests, and may have adopted the interpretation of Section 18 that it has partly out of an instinct for self-preservation, since one may ask how long it would last if it interpreted wage differentials as a legitimate element of comparative advantage. The Board has not been given the resources to adequately fulfill the "constant review" part of its mandate and as long as the problem of Section 18 remains is not likely to be given these resources. The Act, moreover, is very restrictive in the powers of recommendation given to the Board, the only options being that "special measures of protection should be implemented" or that they should not. The Board has no power to propose, for example, packages of adjustment instruments either in lieu of protection or in combination with temporary protection. As long as Section 18 of the Act remains, and governments are not willing to accept the logical implications of

that portion of the Act, the Board will continue to receive much of the criticism that perhaps should more appropriately be directed at legislators.

In summary, we find a contrast between the Anti-Dumping Tribunal and the Tariff Board on the one hand, and the Textile and Clothing Board on the other, as to how they have managed to strike a reasonable balance between the competing interests in their review functions. The nature of the problems presented to the Textile and Clothing Board are probably more difficult to deal with on the whole, certainly when compared with the average Tariff Board reference, though perhaps not much more difficult than certain 16.1 Anti-Dumping Tribunal (eg. footwear) references. Another reason for the Textile Board's lesser ability to keep all interests happy, or at least neutralized, lies in the greater precision of the law in the case of Tariff Board references and the anti-dumping process, and the fact that these bodies are less subject to political manipulation because of the law and international agreement (e.g. anti-dumping code).

NOTES - CHAPTER V

- 1 Grey, Rodney de C., The Development of the Canadian Anti-Dumping System, (Montreal, Private Planning Association of Canada, 1973), see chapter 2 for account.
- 2 Ottawa Citizen, 31 January 1978.
- 3 Confidential interview.

1. Departmental Actors

Earlier in this thesis we noted that the two primary roles of the bureaucracy in Canadian public policy-making were first, a review and analysis function and second, a recommendation function where departmental bureaucrats attempt, sometimes successfully, sometimes not, to resolve issues for recommendation to the responsible minister or ministers. Trade policy is a relatively unusual area of public policy in that responsibility is fragmented between several ministries and keen interest is held by an even larger array of departments and ministers. This fact reflects the reality that trade policy decisions almost always have a differential impact as between socio-economic interests in Canada. It is encouraged moreover by the tradition of regional representation in Cabinet and the fact that many departments were expressly created to represent certain special interests in government councils.

In this chapter we shall analyse the responsibilities and behavioural characteristics of the array of departments which are involved in making trade policy. As defined in Chapter One, the major elements to be discussed are the dimensions of power and responsibility, relations with client groups, the ideological biases of departments, and their tactical and strategic traditions. The ministries to be examined are the four with responsibilities derived from law or cabinet directive in trade policy, the departments of Finance, Industry, Trade and Commerce, National Revenue, and External Affairs, and the "special interest" departments of Consumer and Corporate Affairs, Agriculture, Energy, Mines and Resources,

Fisheries and the Canadian International Development Agency. Industry, Trade and Commerce is a special case in a sense in that it falls into both categories. It might be noted that a few other departments such as Labour and Employment and Immigration and DREE have on occasion been involved in trade issues, but their general involvement is so marginal that they will be ignored here.

a) The Department of Industry, Trade and Commerce

The legal authority for Industry, Trade and Commerce responsibilities in trade policy is derived from two statutes, the Export and Import Permits Act and the Industry, Trade and Commerce Act, described in a previous section. These statutes give the minister of Industry, Trade and Commerce primary responsibility in the areas of special import policy or the imposition of quantitative restrictions to imports and exports, export promotion, the conduct of international trade negotiations, and international commodities policy. Given the department's other role as a special interest department representing Canadian industry, Industry, Trade and Commerce's influence extends into the area of tariff policy. The role of Industry, Trade and Commerce is further augmented through its control of general industrial policy and programs of assistance to Canadian industry, given that tariff and non-tariff options are normally influenced by the nature and operation of these programs.

Organizationally, the Department of Industry, Trade and Commerce had had for the most part of its existence since 1968 five major branches. Operations, under a senior Assistant Deputy Minister, includes the various "sector branches" maintaining liaison with

Canadian industries such as chemicals, agriculture, resource industries, textiles and consumer products, electrical and electronics industries, machinery and transportation industries.

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The sector or line branches are presently under an Assistant Deputy Minister for Industry Development. Operations also includes the Assistant Deputy Minister for Export Development, including the trade commissioner service and other services to Canadian exporters.

There are also Assistant Deputy Ministers for Economic and Policy Analysis (development of industrial policy) and for various services to industry such as productivity, design and research and development assistance (presently entitled the Enterprise Development Program). These two branches have for the most time since 1968 been under a senior Assistant Deputy Minister for Finance and Programs.

The Branch which most concerns us here is the International Trade Relations Branch under an Assistant Deputy Minister reporting directly to the Deputy Minister. This branch has three components. The Office of General Relations is concerned with the formulation and carrying out of Canadian trade policy in its multilateral dimension (GATT, OECD, UNCTAD), the pursuit of Canadian export interests, and the negotiation of international commodity agreements. The Office of Special Import Policy has the primary role in policy on import and export controls and on implementation of quantitative restrictions in its Export and Imports Permits Division. The International Bureaux, which are concerned with bilateral trade

relations and export promotion, joined the ITR Branch in 1977.

During most of the period (1968-78) covered by this study, there existed a quite clear conflict of priorities within ITC between the International Trade Relations Branch (particularly OCR) and the sector or line divisions of Operations Branch. The roots of this conflict go back to the origins of the Industry, Trade and Commerce Department in 1968. A Trade and Commerce Department had been in existence since the late 19th century. The Department of Industry was created in 1963 as a "special interest" department, largely as a result of representations from Canadian manufacturers to the effect that since farmers had the Agriculture Department and fishermen the Department of Fisheries, then manufacturers should have "their" department. The new department, as is the general rule with special interest ministries, was staffed with people from the various Canadian industries, and this tendency continued to a great extent into the early seventies for the sector divisions of ITC. The major motivation for the merger of the departments of Industry and of Trade and Commerce in 1969 was to integrate industrial policy with trade policy, both in the sense of export expansion (relatively successfully) and in the sense of rationalization of Canadian manufacturing activity through the use of both industrial incentives and commercial policy measures (far less successfully as it has turned out).

While the common characterizations of the sector divisions during most of this period as "protectionist" and International Trade Relations as "free tradeish" were somewhat simplistic,

it is true that the sector divisions tended to be more domestically oriented and inward-looking while ITR tended toward a more international (if not internationalist) orientation which emphasized a stricter interpretation of Canada's obligations under the "spirit" of the GATT and other agreements. Given that a major role of ITR is to facilitate Canadian exports by negotiating the reduction of foreign barriers to Canadian exports (through the GATT rounds and such bilateral issues as the U.S. DISC legislation in the early 1970's), it tends to be wary of new Canadian barriers which may undermine this effort. A good example of the conflicting goals of these two divisions of ITC is described in our case study in Chapter 7, on the November 1976 use of Article 19 action on clothing imports, when the Textile and Consumer Products Branch strongly supported the Canadian industries' position in favour of this extreme action, while officials in ITR tended to be much more moderate in their preferences. Industry, Trade and Commerce is certainly not the only department which has experienced diverging priorities and orientations among sub-units. Similar conflicts exist within Finance between the Tariffs Division and International Economic Relations Division and within External on certain issues between Commercial Policy Division and Aid and Development Division. But ITC stood out, not only for the intensity of these conflicts, but also because unlike Finance and External the two branches in question have separate Assistant Deputy Ministers and thus conflicting orientations are carried to a higher level.

To be sure, the conflict was not equally intense in all areas of trade policy. Export promotion and commodities policy have been the subject of fewer conflicts than special import policies and the development of Canadian positions on tariff and non-tariff offers at multilateral trade negotiations. The latter are of course the more difficult areas of policy in that they affect more directly the interest of the vulnerable, less competitive and more politically sensitive industries.

While during most of the time period under discussion here, the conflicting orientations of these two sub-units of ITC were quite strong, there is some evidence of change in the last three or four years. The sector branches would appear to be shedding some of their protectionist leanings. A more "directionist" approach to industrial sectors has gradually developed whereby the sector branches of ITC are more likely to have goals of their own with respect to these sectors and attempt to use industrial and commercial policy incentives to promote the competitiveness of sectors, as opposed to behaving as representatives within government for these interest groups' demands. This new approach has coincided with a decreasing tendency to staff the sector divisions with people from the industries and with the advent of the MTN, which, because inevitable trade-offs must be made in the negotiations, has forced a more positive, almost "directionist" approach to sector branch - industry relations. We do not wish to leave the impression that diverging priorities have ceased to exist within ITC, but some narrowing of the gap between the line divisions and the trade policy people does seem

to be occurring. This is a recent development, of course, and does not apply to most of the time frame upon which this thesis is based.

The degree to which conflicts within ITC are resolved and the nature of the resolution on given issues would seem to depend on the personal priorities and biases of ministers and deputy ministers, current thinking in the interdepartmental setting, and prevailing economic and political circumstances. There is no doubt that ministers such as Jean Chrétien and J.-L. Péroin tended to see matters more in the light of the sector branches and were prepared on occasion to completely override advice emanating from ITR, probably because they were Quebec ministers from constituencies where many of the most severe problem case industries are located. Ministers such as A. Gillespie and J. Horner are generally thought to have favoured the ITR orientation (Horner) or been relatively neutral (Gillespie). The senior bureaucrats are in any case in the habit of attempting to anticipate the biases of their ministers and presenting recommendations accordingly. The sector branches are thus less likely to offer recommendations of the more extremely protectionist kind with a minister like Horner than they would with Chrétien. The biases of deputy ministers are also relevant in this regard. Resolution of these differences is also influenced by current thinking of bureaucrats and ministers in other departments and prevailing economic and political circumstances.

The management traditions and division of labour within ITC are also of relevance to the department's role in trade

policy-making. The policy-making process within ITC revolves around the preparation of a draft memorandum to Cabinet on a given matter, via consultations between the industry people and the ITR branch. On most questions this is done in an informal way. For MTN preparations a committee was set up and given a title - the "Mini-prep com" -, but the process remains similar whether or not the committee has a name. The key protagonists in this consultation are the Assistant Deputy Minister for International Trade Relations and the Assistant Deputy Minister for Industry Development. The Deputy Minister's role is also important, but Deputy Ministers have varied as to the personal attention they have given to the trade side of the department's activities. James Grandy, Deputy Minister between 1971 and 1975, for example, is believed to have put much more of his energies into trade questions than the present Deputy Minister, Gordon Osbaldeston, whose major preoccupation is industrial policy. Subordinate officers of the department play primarily what we called review functions - research, data collection and analysis, and definition of options.

The attempt is made to reconcile the differing perspectives of the two "departments" within ITC prior to referring the matter to interdepartmental discussion. This is not always achieved, in a few cases there being a minority opinion expressed in the draft memo, and in some cases the different perspectives resurface once the question goes to interdepartmental committees.

TABLE I

Key Personnel, Department of Industry, Trade and Commerce during the
Trudeau Governments 1968-78

<u>Name</u>	<u>Tenure</u>	<u>Background</u>	<u>Major Previous Posts</u>
<u>1. Ministers</u>			
a. P��pin, J.L. (Quebec)	1968-Nov. 72	Law	Min. EMR 1966-68, Min. Mines and Technical Surveys 1965-66
b. Gillespie, A. (Ontario)	Nov. 72-Sept. 75	M.Comm.	MOSST 1971-72, Parl. Sec. to Pres. T.B., Private business
c. Jamieson, D. (Newfoundland)	Sept. 75-Sept. 76	Broadcaster	DREE 1972-75, Transport 1969-72, Defence Production 1968-69
d. Chr��tien, J. (Quebec)	Sept. 76-Sept. 77	Law	Pres. T.B. 1974-76, Min. INA 1968-74, Nat'l. Revenue 1968, Parl. Sec. to Min. Finance and P.M. 1966-67
e. Horner, J. (Alberta)	Sept. 77-present	Rancher	Min. without portfolio 1977
<u>2. Deputy Ministers</u>			
a. Warren, J.H.	1964-Oct. 71	B.A.	ADM Trade and Commerce, Finance, External Affairs
b. Grandy, J.F.	Oct. 71-Mar. 75	Economist	DM Consumer and Corporate Affairs, Deputy Registrar General, ADM Finance, Asst. Sec. to Cabinet, External, Dehavilland Aircraft
c. Stoner, G.	Mar. 75-Dec. 76	Economist	DM Transport, P.O., Cdn. rep. to EEC, External Affairs
d. Osbaldeston, G.F.	Dec. 76-present	Bus.Admin.	Sec. to T.B., DM CCA, Dep. Sec. to T.B., ADM CCA, Trade Commissioner Service
<u>3. ADM International Trade Relations</u>			
a. Schwarzmnn, M.	1964-Apr. 72	Pol.Sci.	External Affairs, Trade and Commerce
b. Latimer, R.E.	Nov. 73-present	Pol.Sci.	ITC, Chairman Intl. Sugar Council, Minister Councillor (Economics) London, Trade and Commerce

b) The Department of Finance

The Department of Finance is the second member of the inner group of ministries making trade policy and it is invariably involved in all trade decisions, although it has fewer formal responsibilities over the instruments of policy than Industry, Trade and Commerce. The Minister of Finance has legal authority for tariff setting under the Customs Tariff Act and for setting policy (as opposed to implementation) under the Customs Act. Two of the independent review mechanisms, the Tariff Board and the Anti-Dumping Tribunal, of course report to the Minister of Finance and a large share of their workload is referred to them by him. The high level of influence enjoyed by the Department of Finance in areas of trade policy which are formally in the domain of ITC (special import policy, export promotion, trade negotiations) or External Affairs (the more diplomatic aspects such as the "third option" and treaty negotiation) stem from Finance's responsibilities for macroeconomic policy and the balance of payments. In spite of this enormous role, Finance's formal responsibilities are today fewer than they were during the 1960's before the primary legal mandate for international trade negotiations went to ITC (although on this later score the preparations for the MTN are an inter-departmental exercise to such a degree that we can only speak of a loss of legal, rather than de facto, power).

The decisional centre for trade matters within the Department of Finance is presently the International Trade and Finance Branch, headed by an Assistant Deputy Minister. The ITF Branch is divided into the Tariffs Division, the International Economic

Relations Division, the International Programs Division, and the International Finance Division. The International Finance Division, the focal point of international monetary and foreign exchange policy, plays only an indirect role in trade policy-making, because of its surveillance of the balance of payments. However, any trade issues with a major effect on the balance of payments, such as the 1971 crisis after the U.S. import surcharge or changes in the autopact, will be closely followed by IFD. The International Programs Division, whose main responsibilities lie in the area of Canada's foreign aid policy and relations with organizations like UNCTAD, has had a somewhat greater direct role, because of its evaluation of proposals submitted by the Export Development Corporation for export financing and because of the recent preoccupation in UNCTAD with commodities questions and the "integrated commodities programme". It was IPD which worked on, and eventually squashed, CIDA's proposal for a Trade Facilitation Office in Canada to help developing countries with their exports, a matter to which we shall refer in somewhat greater detail shortly.

Tariffs Division is of course the unit primarily responsible for tariff setting, not only in terms of evaluating interest group representations on the tariff and for budgeting purposes, but also in the elaboration of Canadian tariff offers at trade negotiations. This division also has responsibilities in the area of references to the Tariff Board, policy on the Customs Act, and even regarding MIN non-tariff negotiations because of the interrelationships and substitutability of tariff and

non-tariff measures.

The International Economic Relations Division corresponds roughly in both functions and orientation to ITC's Office of General Relations. As the division of Finance most directly concerned with furthering Canadian export interests (eg. to remove foreign barriers), its approach is somewhat more liberal-minded than that of Tariffs Division, which finds itself in daily contact with Canadian interest groups seeking protection and is dependent to some degree for information on ITC sector branches. IER is in addition the focal point within Finance for special import policy, although there is close consultation with the Economic Development Division on industrial policy people of Economic Programs and Government Finance Branch. IER's generally liberal orientation has helped to restrain the severity of many cases of Import Control List protection (see case study). On commodities policy, IER shares responsibility with IPD, with IER tending to concentrate on the individual commodity agreements side and IPD on the aid aspects such as UNCTAD's Common Fund plan. Commodities policy involves close consultations as well with other units in Finance, such as the Resource Programs Division of the Economic Programs and Government Finance Branch. Finally, it is IER which develops policy on the anti-dumping system, countervailing duty regulations, and on the various codes respecting non-tariff barriers being negotiated at the MIN in Geneva.

It should be pointed out that this division of labour is somewhat flexible and has varied over time according to the

personal style of Assistant Deputy Ministers and the workload of the divisions at any given time.

Although there exist differences of orientation within the Department of Finance, primarily between Tariffs Division and International Economic Relations Division, the department has spoken with one voice on the interdepartmental scene to a greater degree than Industry, Trade and Commerce. There are three major reasons. First, the relatively less liberal unit, Tariffs Division, is in intensity less protectionist than the Industry side of ITC has been for most of the period 1968-78, partly because it is not as closely related to client interest groups as any given sector branch of ITC. When an issue comes up relating to say, bicycles, it is the Textile and Consumer Products Branch of ITC which will appear on interdepartmental committees, and this branch has very close and sympathetic ties to that industry. Tariffs Division of Finance is not organized in such a way as to create such close client relationships with any one industry and thus more independence is possible. As our case study on the GSP shows, Tariffs Division has after all rejected far more appeals for withdrawal of the GPT than it has advocated. In addition, since Tariffs Division is part of the Department of Finance, which is charged with the management of the economy as a whole, it takes a less particularistic view of trade issues than the Industry side of ITC. On commodities questions there is a relative community of interest between the liberalism (market forces) of IER and the financial conservatism of IPD. Second, the degree to which tariffs can be used as instruments of protection

is constrained these days by GATT rules and tradition and especially the fact that statutory tariffs cannot be raised without equivalent concessions to trading partners. Non-tariff measures (Import Control List) are moreover handled within Finance by the relatively liberal IER Division. Finally, unlike corresponding actors in the Department of Industry, Trade and Commerce, Tariffs, IER and IPD of Finance share the same Assistant Deputy Minister for International Trade and Finance Branch and thus divisions of opinion within the Branch are more likely to be resolved before issues move into the inter-departmental phase. For example, the present Assistant Deputy Minister created in early 1978 a new position of Director-General of the Branch to coordinate all Finance activities relating to the Multilateral Trade Negotiations, and this has encouraged internal resolution of conflicts.

The policy positions of the Branch as a whole, however, are greatly influenced by the views of incumbent deputy ministers, ministers and somewhat uniquely, Parliamentary Secretaries to Ministers. As is the case in any department, trade officials at Finance attempt to anticipate the biases of their Deputy Ministers and Ministers. As a rule, Deputy Ministers of Finance have delegated most trade issues to the Assistant Deputy Minister for International Trade and Finance, though this was less true of Simon Reisman, who had a keener personal interest in trade than his predecessor Robert Bryce or his successor T.K. Shoyama. The Department of Finance has been unique in that a tradition has built up in the past decade or so (begun by Mitchell Sharp)

of using the Minister's Parliamentary Secretary as an understudy or "junior minister in training". These secretaries have tended to specialize in taxes and tariffs, guiding legislation through the Commons, and have had significant involvement in internal Finance tariff decisions. Three of the last four Finance Ministers (Chrétien, Macdonald and Benson) have at one point in their careers been Parliamentary Secretary to the Minister.

The Minister of Finance of course sets the tone for trade policy which is anticipated by his officials. Prime Ministers of Canada have on the whole not interfered greatly with their Ministers of Finance (excepting Diefenbaker) and the personal styles and biases of ministers have affected tariff policy probably more than general macroeconomic policies, given that trade policy is more viscerally understandable to politicians than macroeconomic policy. It is commonly believed in Ottawa that the senior bureaucrats are offering Mr. Chrétien less liberal advice, in anticipation of his biases, than was the case under Mr. Macdonald.

TABLE II

Key Personnel, Department of Finance, during Trudeau Governments 1968-78

<u>Name</u>	<u>Tenure</u>	<u>Background</u>	<u>Major Previous Posts</u>
<u>1. Ministers</u>			
a. Benson, E. (Ontario)	1968-Jan. 72	Ch. Accountant	Pres. T.B. 1966-68, Min. Natl. Revenue 1964-68, Parl. Sec. Min. Finance
b. Turner, J. (Ontario)	Jan. 72-Sept. 75	Law	Min. Justice 1968-72, Solic. Gen. 1968, Min. CCA 1968, Registrar General 1967-68
c. MacDonald, D. (Ontario)	Sept. 75-Sept. 77	Law	Min. EMR 1972-75, Min. Natl. Defence 1970-72, House Leader 1968-70, Min. Justice (acting) 1968, Parl. Sec. to Mins. Finance, DEA, Industry 1965-68
d. Chrétien, J. (Quebec)	Sept. 77-present	Law	Min. ITC 1976-77, President T.B. 1974-76, Min. INA 1968-74, Min. Natl. Rev. 1968, Parl. Sec. to Min. Finance and P.M. 1966-67
<u>2. Deputy Ministers</u>			
a. Bryce, R.	1963-1970	Economist	Clerk Privy Council, ADM Finance, Sec. Treasury Board
b. Reisman, S.	1970-1975	Economist	Sec. Treasury Board, DM Ind.; ADM Fin., Dir. IER Fin.
c. Shoyama, T.	1975-present	Economist	DM EMR, ADM Finance, Director Fin., Econ. Council, Govt. Saskatchewan
<u>3. ADM International Trade and Finance Branch</u>			
a. Grey, R. de C.	1967-75	Polit. Sci.	Depart. of Finance, DEA
b. Joyce, R.K.	1975-present	Economist	Depart. of Finance, Central Mortgage and Housing

c) The Department of External Affairs

The Department of External Affairs has always been one of the key three departmental actors on trade policy issues, and its substantive role has increased somewhat in the past decade. The legal base of this involvement is the Department of External Affairs Act which gives the Secretary of State responsibility for the "conduct and management of international negotiations" and "such other duties as may be assigned by order of the Governor-in-Council" (Section 4). Several orders-in-council have given DEA the primary responsibility for organization of international conferences, international treaties, chairmanship of several interdepartmental committees and trade matters, including the interdepartmental committees on Commercial Policy (ICCP), Economic Relations with Developing Countries (ICERDC) and the first MIN committee, and for the coordination of all Canadian foreign operations and interactions. Beyond these legal mandates, External has traditionally been a member of the Ottawa "economic community" and has worked closely with Finance and ITC on international economic questions.

The focal point of External's role in the trade policy-making process is the Bureau of Commercial and Commodity Relations, headed by a Director-General, and composed of two divisions, the Commercial and General Economic Policy Division and the Commodity and Energy Policy Division. This structure was based on a 1977 reorganization of the Department. Between 1971 and 1977 the relevant division was the Commercial Policy Division. The 1977 reorganization also created a new position of Deputy Undersecretary for Economic Relations, which amounted to a delegation of the Undersecretary

of State's deputy ministerial role to a specialist in economic affairs. It was intended to upgrade DEA's trade and other economic representation interdepartmentally. In addition, the geographic bureaux of the Department, as well as the Development and Export Financing Policy Division (formerly called Aid and Development Division) make occasional contributions to trade policy-making.

DEA's capabilities in trade matters have traditionally rested on expertise in international law (including economic law) and provision of political intelligence about the intentions and potential reactions of foreign governments and interest groups. Traditionally the Department did not compete with Finance and Trade and Commerce regarding the substance of trade proposals, except in the sense that the above do influence the substance of proposals (e.g. is a proposal legal under the GATT). In the past decade however, a concerted effort has been made by DEA to upgrade the Department's purely economic expertise. One major method was to allow occupational specialization of officers in the economic divisions by means of less than the usual rotation to which most DEA "generalist" officers are subject. This new economic emphasis was based greatly on the Foreign Policy Review of 1970 which had emphasized "economic growth" as the primary theme of Canadian foreign policy as well as the increasing salience of economic issues as problems in international affairs in the 1970's, as evidenced by the monetary and energy crises, the "new international economic order", and the advent of the multilateral trade negotiations. It would be a gross exaggeration to place External on a par with ITC and Finance regarding expertise in the substance of trade

issues, but some narrowing of the gap has taken place in recent years.

External's actual contributions to the trade policy process may be seen as two-fold: a coordination role and a policy substance role. In terms of coordination, DEA attempts to promote consistency of trade policy outputs, such that what Canada is doing in UNCTAD, for example, is not in contradiction to what is being done under the GATT. External also performs much of the footwork necessary to coordinate the various departmental inputs into the multilateral trade negotiations. Many believe External's control of the international communications system (telex's, etc.) to be a source of influence. In addition, great emphasis is put on consistency between trade policy outputs and other foreign policy objectives: most of the examples here come in the area of international development and other "moral" questions such as trade relations with South Africa. This latter desire for consistency is a frequent source of differences of view between DEA and Finance and ITC, and External has by no means always been successful.

DEA's concern for coordination, and the lesser interest of Finance and ITC in such activities, was illustrated by the story of the Interdepartmental Committee on Commercial Policy (ICCP). Inspired and chaired by External, this committee was set up in 1972 at the Assistant Deputy Minister level to provide a forum for discussion of the broad issues and ends of commercial policy. It includes most of the departments with an interest in trade policy and DEA had hoped that ICCP would prove a valuable mechanism for briefing secondary departments, as well as for communicating

secondary department concerns to Finance and ITC. The two heavy-weight trade departments, however, have never shown much enthusiasm for such exercises, preferring instead meetings on highly specific topics with a restricted number of departments represented. ITC and Finance, moreover, are little disposed to engaging in "philosophical" exercises with departments whose expertise is in their eyes wanting. Largely as a result of this lack of interest, the frequency of meetings and the level of representation of ICCP has declined over the years.

DEA's ideological orientation favours respect for international obligations under the GATT, sensitivity to Canadian export interests and an associated desire not to upset foreign governments through protectionist actions, and the taking account of stated diplomatic aims in trade policy actions (e.g. international development and the "third option"). The recent upgrading of economic resources in the department has encouraged a more activist DEA role in trade policy as opposed to the traditional reactive approach where ITC and Finance would develop proposals, to which DEA would reply with its particular concerns. DEA contributes somewhat more now to the review process and economic analysis (e.g. the effect of an MFN tariff cut on Canadian industry) and interventions are coming at an earlier stage of the policy development process. For instance, DEA was involved from the beginning in the 1974 discussions of an egg marketing agency, and not just when eggs were put on the Import Control List, as would have been the normal pattern before 1970. The blurring of domestic and international policy referred to in Foreign Policy for Canadians accounts for this.

But the upgrading of DIA's economic capabilities should not be construed as equality with PIC and Finance in these resources.

d) Department of National Revenue (Customs and Excise)

The basic trade function of the Department of National Revenue (Customs and Excise) or Revenue Canada is to implement and enforce at ports of entry the customs provisions of the Customs Act (on value for duty), the Customs Tariff (on tariff rates and classification), the Anti-Dumping Act (determination of dumping and margins of dumping) and the Countervailing Duty regulations. The department also enforces a series of federal and provincial acts and regulations as they apply to imports, such as the Agricultural Products Standards Act, the Food and Drug Act, the Consumer Packaging and Labelling Act, the Hazardous Products Act, and the Textile Labelling Act. There are at present about 80 such miscellaneous statutes enforced at ports by Customs and Excise.

The policy, as opposed to enforcement, role of National Revenue is relatively limited, but in some situations very important. The basic policy functions performed by Revenue are the collection and analysis of data for decision-making purposes (for example to help determine whether imports are in fact causing injury to Canadian producers) and the provision of technical information relating to the feasibility of various options. The department plays these roles in special import policy via participation in the Inter-departmental Committee on Low Cost Imports, in the development of Canadian positions for the GATT Non-Tariff Measures Group through

the MIN coordinating committee (for instance, are foreign complaints of Canadian non-tariff barriers justified?), on the Interdepartmental Committee on the GSP, and during the drafting stages of miscellaneous statutes. The department does have a major role to play in the anti-dumping process, but since the Anti-Dumping Act is very precise, this role is more mechanical than policy-oriented. To the extent that Revenue Canada has resisted, with the backing of Finance, attempts from ITC to encourage political manipulation of the anti-dumping process, it may be said to play an important policy role in dumping questions. (ITC has on occasion suggested that anti-dumping investigations be undertaken for what are regarded in Revenue as politically-inspired reasons, designed to provide temporary protection to Canadian producers during the period of investigation).

There are two other policy roles which have been performed by Customs and Excise. First, the Department has recently completed (April 1978) a review of the Customs Act, prodded by complaints from both foreign governments and Canadian interest groups that the value for duty and other provisions are out of date. The review consisted of consultations with Finance and several interest groups. Cabinet has at time of writing not decided on changes to the legislation, but it appears unlikely that the most important features of the Act, the value-for-duty Sections 36 to 44, will be changed until the multilateral trade negotiations are further along, so as not to show the Canadian hand too early in Geneva. Second, although the use of customs administration as an instrument of protection has declined since the 1930's¹, it is

widely believed that customs administration procedures are tightened up to provide maximum protection within the law during periods of high import pressure on Canadian producers and loosened in periods of economic boom. It is not clear to what extent such actions are the result of formal or informal Cabinet directive, but it would seem plausible that ministers, under constant pressure from Canadian interests and at the same time reluctant to raise tariffs or impose quantitative restrictions for international image reasons, would be highly tempted to do so. After the Anti-Dumping Tribunal report of 1973 determined that imports were not causing material injury to Canadian footwear firms, value for duty investigations were undertaken in Italy and Spain by Revenue Canada officers with the result that valuations were significantly increased on certain shoes (Spain in fact filed a non-tariff measure complaint against Canada with the GATT secretariat).

Revenue Canada's limited policy role in trade policy-making is related to two major factors. Most officers at Revenue in fact see their role as an implementing role and wish to avoid too much involvement in actual policy-making. The major reason for Revenue Canada's participation in interdepartmental committees like those on Low Cost Imports and the GSP is that virtually all conceivably relevant departments were put on these committees when Consumer Affairs and CIDA clamoured for an input. Revenue did not itself actively seek admission. A second reason is that, even on those issues where Revenue would have wished

a larger policy role, the Department has been hampered by a rather long series of somewhat weak ministers. There have been eight ministers of National Revenue during the Trudeau years, most of whom stayed for no more than a year and most of limited weight in Cabinet, at least at the time of their occupancy of the Revenue post (Chrétien, Côté, Gray, Stanbury, Basford, Gullen, Bédin and Guay).

e) The Department of Consumer and Corporate Affairs

None of the Statutes defining the duties of the Department of Consumer and Corporate Affairs (CCA) make explicit reference to a CCA role in the formulation of trade policy. The Combines Investigation Act implicitly recognizes an international environment in which Canadian competition policy must operate. Perhaps the closest thing to a statement of legal right to a voice in trade policy-making occurs in the 1967 Department of Consumer and Corporate Affairs Act, Section 6.(1) of which states that "in exercising his powers and carrying out his duties and functions in relation to consumer affairs under this Act, the Minister shall a) initiate, recommend or undertake programs designed to promote the interests of the Canadian consumer". CCA officials have interpreted the spirit of this section as legitimizing a strong role for the Department in trade policy-making, although this interpretation has been only partially shared by the key trade policy departments. There exists in addition a series of regulatory statutes administered by CCA which have trade implications and the operation of which have occasionally been identified by other countries as non-tariff barriers.

These include the Consumer Packaging and Labelling Act, the Hazardous Products Act, and the Textile Labelling Act.

CCA's ideological biases toward trade policy emphasize free market forces and maximum competition in the market place. The department was quite deliberately created as a special interest department designed to promote the consumer interest in government councils. By extension in the trade field this representation has come to include the interests of Canadian importers. This link with interest groups was institutionalized by inclusion of the Consumers Association of Canada and the Canadian Importers Association on the Canadian Consumer Council, and official advisory body reporting to the Minister of Consumer and Corporate Affairs. The ideological orientation of CCA has led the Department into some unusual alliances according to the area of trade policy under consideration. Its free trade views and defence of the consumer orientation puts CCA on the side of departments like External Affairs and CIDA on tariff and Import Control List matters, while the free market orientation leads to disagreements with DEA and CIDA on commodities policy because the latter departments emphasize the developing country moral-diplomatic angles to commodities issues. While on the whole possessing a free trade bias, CCA's responsibility for several of the statutes referred to by other countries as non-tariff barriers puts it into alliance with some of the more protection-minded departments and even leads to some criticism from one of its client groups, the Canadian Importers Association.

CCA's input into trade policy issues is centralized in its Policy Coordination Branch, which represents the Department on interdepartmental committees and does much of the analytical work necessary to participation in these committees. The Bureau of Competition Policy's sector branches are regularly consulted by Policy Coordination on trade matters.

The actual involvement of Consumer and Corporate Affairs in trade policy formulation varies in scope and nature according to the slice of trade policy considered. On special import policy it is represented on the Interdepartmental Committee on Low Cost Imports for those cases where a major part of the import problem stems from Third World and East European countries. As for the other products on the Import Control List, mostly dairy, poultry and livestock products from the United States and Europe, there exists no formal interdepartmental committee for bureaucratic resolution of conflicts, but CCA is normally consulted on an ad hoc basis by ITC. CCA's position on these matters has been the rather straightforward one of resisting additions to the List. This tough CCA stance, based upon an appreciation of the particular importance of these high profile consumer products to low income groups, has not proven especially successful, partly as a result of what is perceived elsewhere as an overly dogmatic approach on the part of Consumer Affairs, but mostly due to instability at the ministerial and deputy ministerial levels of CCA.

CCA's involvement in the between GATT round tariff setting process presents something of a contrast. The only slice of the

tariff about which the department is regularly consulted is the GPT. To be sure, CCA has been involved in certain non-GPT tariff issues, but this has been on an ad hoc basis, normally as a result of intervention by the Minister of Consumer and Corporate Affairs, after he has received representations from Canadian businesses engaged in the import of such items or consumer groups concerned about particularly important products. Generally CCA is dissatisfied with the extent to which it is consulted in ongoing tariff setting. One reason for this lack of regular CCA involvement in the inner group of Finance, ITC and External on tariffs relates to resistance from the Department of Finance (which has generally invited other departments to participate only when, as in the case of ITC, it could not do without them, or in cases like the CSP, full interdepartmental involvement has been forced upon them from above). Another reason relates to the limited resources of the Policy Coordination Branch at CCA and the relatively low priority attached to the international dimension of competition policy by CCA's own Bureau of Corporate Affairs and Bureau of Consumer Affairs.

CCA has in recent years been involved in discussions on international commodities agreements through the Interdepartmental Committee on Economic Relations with Developing Countries (ICERDC), and has opposed the creation of these UNCTAD-inspired agreements on the grounds of a free market philosophy, much to the chagrin of External and CIDA, with whom CCA is closely allied when it comes to tariff and special import policy.

As for Canadian preparations for the multilateral trade negotiations, CCA's involvement has been concentrated at the ministerial level, where the minister has actively participated in the ministerial committee headed by Allan MacEachen. Policy Branch believed that its resources were already too strained to permit it to participate actively and carry its share of the work-load in the bureaucratic level committee headed by Jake Warren, Canadian Coordinator for the MTN. Its role on the MTN has therefore been one essentially of preparing the minister.

Consumer and Corporate Affairs has not enjoyed great success in the battles it has entered on trade issues. No doubt this reflects the relative strengths in our society of producer as compared with consumer interests. But beyond this, the Department's trade goals have not been encouraged by the rapid turnover of ministers (eight since 1968) of mostly limited personal influence in Cabinet. Instability at the deputy ministerial level (six since 1968) has also been notable at CCA.

f) The Department of Agriculture

• Among "secondary" trade policy departments in Ottawa, it is the Department of Agriculture which over the years has enjoyed the most consistent and intense involvement in issues of interest to it. Agriculture's involvement in trade policy-making is not given any specific statutory authority, but stems from the fact that price support and marketing arrangements in the agricultural sector must be supplemented by measures relating to imports to be effective. An additional factor is expertise on agricultural sectors and the tradition of consultation by ITC and Finance.

The Department is also responsible for several pieces of legislation which apply to imports in the health and sanitary regulations fields.

There exist two conflicting perspectives within the Department which affect its role in the formulation of trade policy.

The first is an East-West divergence of interest. Western Canadian agriculture is generally export-oriented and the relevant interest groups emphasize negotiation of greater access to European, American and Japanese markets. It is difficult to accomplish this without offering concessions to these countries in many dairy and meat products for which they possess cost and quality advantages, and this runs headlong into the vested interests of Eastern Canada dairy, poultry and wine producers who have depended on tariffs, the Import Control List and other NTB's to survive. In recent years Agriculture has had an Eastern minister, Eugene Whelan, who has emphasized protection of Eastern producers from import competition relative to negotiating access to foreign markets for Western grain and meat producers. It was largely the result of Mr. Whelan's pressure that the Export and Import Permits Act was amended in 1972 to allow additions to the import control list based on "national supply management schemes". Pressures from the horticultural sector were communicated through Whelan to the Minister of Finance in the mid-70's and contributed to a major Tariff Board reference on fruits and vegetables. Mr. Whelan's priorities were also evident in his running verbal battle with the United States ambassador in 1977 over the issue of liberalization of trade between the two countries.

These East-West differences have their administrative counterpart in the differing perspectives on trade policy between the Trade Policy Section of the Marketing and Trade Division and the Department's Production and Marketing Branch. The Trade Policy Section is in effect the "external office" of the Department and its responsibilities include representation on interdepartmental committees and the coordination of departmental initiatives concerning the multilateral trade negotiations. Its biases tend on the side of emphasizing export opportunities and international obligations under the GATT and pointing out the difficulties of achieving these aims while at the same time pursuing protectionist actions with regard to the weaker agricultural sectors. Production and Marketing Branch is analogous to ITC's sector branches in that it is divided up into divisions relating to the various agricultural sectors. Its primary function is the administration of the various marketing statutes and its divisions tend to represent the narrow interests of a given sector. The sector divisions have for example given technical and legal assistance to interest groups making representations before the Tariff Board and Anti-Dumping Tribunal. The sectoral interest groups often go to the Production and Marketing Branch as well as the Agriculture, Fisheries and Food Products Branch of the Department of Industry, Trade and Commerce when they have a grievance with government relating to trade, but seldom to the Marketing and Trade Branch. In interdepartmental committees, Marketing and Trade often finds itself closer in position to the International Trade Relations Branch of ITC than the Production and Marketing Branch of its own Department. The resolution of these conflicts within the Department of Agriculture depends essentially on the views and political

interests of the Minister, as well as on current thinking in the interdepartmental community (a relatively protectionist minister of Finance or ITC would tend to favour the Production and Marketing viewpoint on tariff and import control list matters). Since 1972, Production and Marketing has had its way more often than not due to the personal views and interests of Minister Whelan.

The role of the Department of Agriculture in making trade policy, always greater than other special interest departments, has increased in recent years, largely because domestic market intervention by governments has increased in this sensitive industry in the last few years and this has entailed greater attention to imports as a complement to marketing and price support policies. The increasingly vocal consumer movement and the controversies between the Minister of Agriculture and Mrs. Plumpre's Food Prices Review Board have also contributed to increased attention to trade matters by the Department, not to mention the fact that the trade negotiations in Geneva have reopened the prickly subject of barriers to trade in agricultural commodities.

On tariff policy, the Department is virtually always closely consulted by the Department of Finance. This applies to both ongoing tariff policy via the budget and to the preparation of the Canadian offer and request list for the MTN's. Consultation is equally close with ITC on the Import Control List and on work on the MTN draft codes on standards, technical barriers and

subsidies and countervail. On these issues the Department of Agriculture comes into conflict with the Department of Consumer and Corporate Affairs on a regular basis and periodically with the Departments of Finance and External Affairs (which has worried occasionally about the addition of more "irritants" with the U.S. when items are put under quantitative restraint). On commodities issues, the Department tends to react favourably to international commodity agreements to smooth out price fluctuations in wheat and sugar markets and would like to see new agreements for meat and dairy products. There is some conflict with the more free market orientation of the International Trade Relations Branch of ITC, but close consultation is nonetheless present.

g) The Canadian International Development Agency

The Canadian International Development Agency of course has no legal mandate on trade matters. The nearest thing to formal responsibilities comes from Cabinet directives giving the Agency a role in the formulation of Canadian positions on UNCTAD issues and conferences. CIDA's interest in trade matters stems from the inherent importance of trade as a source of badly-needed foreign exchange for developing countries and a self-image that CIDA "is the single representative which the less favoured countries have in Canadian government councils"².

A CIDA role in trade policy-making was a long time in coming. Although the Agency was set up in 1968 as a government department reporting to the Secretary of State for External Affairs, it was not until 1974-75 that CIDA became more or less accepted as a member of the interdepartmental community on several important

trade issues including the GSP, international commodity questions, special import policy and the question of creation of a Trade Facilitation Office for developing countries in Canada. This acceptance was basically imposed on the departments of Finance and ITC by the Prime Minister's Office and the then SSEA Allan MacEachen at a time when the concept of a "new international economic order" was much in vogue internationally.

Prior to that time there was great resistance to CIDA involvement on trade issues affecting developing countries in Finance and ITC, based on a belief that CIDA could contribute nothing which External did not already contribute, and CIDA's role was effectively limited to ad hoc participation in episodes like the Tariff Board study of the sugar tariff and representation at UNCTAD's meetings. Within the Agency moreover a full consciousness of the importance of non-aid North-South relationships did not develop until about 1974. Apathy reigned in the Bilateral Branch of CIDA on the importance of trade to LDC's and amongst senior management of the agency until the "new economic order" became something of a fad. The impetus for CIDA participation in trade policy came primarily from the officer level rather than from the vice-presidents (i.e. Assistant Deputy Ministers), as well as from the PMO and External Affairs.

Until recently, research on trade issues and participation in interdepartmental committees was shared between CIDA's Policy Branch and the Policy Institutions Division of its Multilateral Branch. Policy concentrated on the GPT and Low Cost

Imports Committees, while Multilateral had the main responsibility for commodities and other UNCTAD issues as well as the Trade Facilitation Office issue. In February 1978 the Policy Institutions Division was transferred to Policy Branch to create a new Cooperation and Coordination Division which would handle all non-aid issues on behalf of the Agency.

The impact of CIDA on Canadian trade policies as they affect developing countries has been rather limited. Certainly this reflects the general potency of domestic political considerations over internationalist concerns. To be sure, CIDA has had some moderate success, in alliance with the departments of Consumer and Corporate Affairs and External Affairs in resisting backtracking on the GPT and moderating the conditions of special import policy measures. But several organizational and attitudinal factors, in addition to the broad societal balance of power just mentioned, have worked to further limit CIDA's potential impact.

First, resistance to CIDA participation in the policy-making process has persisted in certain areas. CIDA is seldom consulted concerning tariff changes other than the GPT where there is an LDC interest, nor is there any significant CIDA involvement in the MIN Committee even on issues, such as the reform of GATT Article 19, which greatly concern developing countries. Second, within the Agency, interest in trade issues has continued to be concentrated at the officer level rather than senior levels. CIDA vice-presidents seldom attend interdepartmental committees on trade issues, even those which function at the Assistant Deputy Minister

level. The general attitude of senior management was summed up by one interviewee (an Assistant Deputy Minister):

I really believe that CIDA is an aid agency and should keep its nose out of the non-aid issues. In any case if ITC is opposed to trade initiatives in favour of developing countries there is nothing that CIDA can do about it.

The personal priorities of Mr. Michel Dupuy, CIDA president since 1977 and a man generally believed to be more of a "total government person" than a "CIDA man", tend in the direction of running the aid program efficiently and placing less emphasis on non-aid policies than his predecessor Mr. Gorin-Lajoie. The view at senior levels of CIDA seems now to be that it is primarily External's role to put across the moral-diplomatic dimension of trade policy. Finally, as our case studies will point out, CIDA's effectiveness in the interdepartmental setting has been at times undermined by an excess of almost missionary zeal and unwillingness to compromise, and its credibility sometimes undermined by the fact that on tariff and special import policy CIDA often finds itself in the embarrassing position of defending the interests of relatively privileged LDC's like Korea and Hong Kong.

A 1977 episode concerning the creation of a Trade Facilitation Office in Canada is illustrative of CIDA's limited impact. Based on ministerial speeches at the United Nations a few years ago, CIDA initiated interdepartmental study of a Trade Facilitation Office to assist the lower-income LDC's in exporting to the Canadian market by providing market information and technical assistance regarding customs procedures, standards and the like.

Several other Western countries have such offices and consultations with the business community in Canada ensured their tolerance if not outright support of the concept. By the spring of 1977 interdepartmental agreement on the TFO had been reached (though after some watering down of CIDA's original draft proposals by ITC). When the matter went to Cabinet however, Finance officials changed their minds at the last minute and opposed the project, apparently citing possible adverse reactions from Canadian businessmen. The idea has now been left in limbo indefinitely. The whole episode was indicative of CIDA's weakness as a department and its vulnerability to manoeuvres by other more central departments.

h) The Department of Energy, Mines and Resources

The focal points of EMR involvement in trade policy are the International Mineral Commodity Section of Minerals Branch and the Energy Policy Sector of the Department. The major trade issues of concern to EMR have been those of international commodity agreements and UNCTAD's proposals for re-organization of commodity markets, the question of access to foreign markets for Canadian mineral exports, and the problem of energy exports to the United States. The Department's influence on these matters has been based on its expertise on energy and minerals questions and especially its role as a spokesman within government for the views of the Canadian mining community. A large number of EMR officers have been recruited from the mining industry and thus reflect industry views to some extent, too much so in the view of most other departments, including ITC and Finance. Partly because of this perception of EMR as a mouthpiece of the Canadian

industry, but also due to the fact that ITC has its own Resource Industries sector division, the Department of EMR has experienced some trouble in being accepted as a full working member of the interdepartmental community, particularly on international commodities questions.

In terms of departmental views on these trade issues, the situation differs from question to question. As far as access to foreign markets is concerned, EMR has not been in conflict to any great extent with ITC's Office Of General Relations and Resources sector division in that there exists a general consensus within Ottawa on increasing access to foreign markets for mining exports and the upgrading of those commodities prior to export. On the question of international commodity agreements and particularly UNCTAD's plan for a reorganized market based on a Common Fund to finance these agreements for the purpose of stabilizing prices and the export earnings of developing countries, EMR has been the department most violently opposed to these concepts. EMR, which gained admission to the inner circle on these UNCTAD questions only after UNCTAD IV in 1976, is opposed to agreements with economic (or market intervention) provisions, preferring instead market information sharing on the model of the Lead-Zinc Study Group. The present international discussions of a copper agreement are a point of particular concern to EMR, partly because the Canadian industry is totally opposed to a copper agreement and has made representations to EMR on the matter. UNCTAD's proposal for a Common Fund to finance buffer stocks for some 18 commodities of export interest to developing

countries has received EMR's total opposition. The departments of Finance and ITC, in contrast to External and CIAA, share many of EMR's reservations on these issues but are somewhat more open-minded and desirous of achieving a compromise between UNCTAD's demands and Canadian interests.

2. The Executive Support Agencies

Much was said in the early years of the Trudeau government about the new policy roles of the Privy Council Office and the Prime Minister's Office⁴. As far as trade policy is concerned, the policy role of these agencies has increased considerably over the Pearson period, but the anticipated challenge to the bureaucracy has never quite materialized. The height of PCO and PMO influence over trade policy would appear to have climaxed during the first few years of the Trudeau government, when the presence of a new prime minister brought about a number of government reorganizations and dramatic departures in foreign policy, but since that time the bureaucracy has reestablished itself, based on its vastly superior technical expertise. These central agencies retain, however, important roles in the policy process.

a) Privy Council Office

The Privy Council Office has played two major roles in trade policy-making, as well as other areas - coordination and policy initiation.

As the overseer of a relatively formalized general decision-making process introduced by Trudeau based on the two principles that Cabinet committees will have final decision-making power unless reversed in full Cabinet and that all ministers, whether responsible or not, will have a stronger voice in policy-making⁵,

the PCO must coordinate the bureaucratic preparation of memorandum to Cabinet and ensure that all ministers are informed of these papers. Specifically, PCO attends most interdepartmental committees to encourage the resolution of conflicts, ensures that appropriate interdepartmental consultation has taken place, ensures that Cabinet memoranda contain a full range of options and are signed by the appropriate ministers, and distributes these to all ministers. In addition, the Office is organized to provide secretarial and administrative support to Cabinet committees, including the three which most often consider trade matters, the committees on Economic Policy, External Affairs and National Defence, and Government Operations.

Beyond these important coordinative functions, PCO has often played a significant policy role. This policy role is concentrated in the areas of creating frameworks for action and coordination and in initiating new departures based on the will of ministers. For example, it was a PCO inspired idea to create in 1977 a new office of Coordinator for the Multilateral Trade Negotiations under Mr. J. Warren. In the early period of the Trudeau government Mr. M. Pitfield, Clerk of the Privy Council, was a prime mover behind the amalgamation of the Industry Department with the Trade and Commerce Department. It is relatively seldom however that PCO intervenes in interdepartmental substantive discussions of the merits of particular courses of action, such as what ought to be the response of government to interest group demands for protection. There are some exceptions: one described in our case studies was bringing to the attention of

the Prime Minister the proposed withdrawal of the GPT on scissors. But under normal circumstances, the major input of PCO into the interdepartmental process is to communicate to the bureaucrats the political feasibility of various options (for example, what would minister X's view be?) and encouraging consistency of government policies (for example PCO pointed out to bureaucrats supporting the so-called STAREX plan for commodity earnings stabilization for IDC's the difficulty posed by the fact that the government had already rejected a similar plan domestically proposed by Canadian farmers). This political, as opposed to substantive expertise can of course be an effective avenue of influence on policy outcomes.

b) The Prime Minister's Office

The primary function of the Prime Minister's Office is to provide advice to the Prime Minister as to the political advisability of policy options. Officials of the PMO are not public servants but rather partisan political appointees of the Prime Minister. When Mr. Trudeau came to power in 1968, the office was doubled in size and "by enlarging and reorganizing his Office the Prime Minister sought to strengthen his personal ability to oversee and to direct the administrative and political machinery which he heads"⁶. This action was viewed by many political scientists as a significant move away from the bureaucracy's and ministers' role as primary advisors to the PM, even as a step in the direction of "presidential government"⁷.

While the policy role of the PMO as an institution and particularly as a countervailing source of advice vis-à-vis the

bureaucracy has undoubtedly increased during the Trudeau years, this trend has been less apparent in the field of trade policy than in other fields like federal-provincial relations. And trade policy has been less influenced by the PMO than many other areas of foreign policy, such as the NATO decision of 1969, the law of the sea, and the evolution of certain general foreign policy themes. Probably the most basic reason is that Trudeau's Senior Advisor for International Relations until early 1978, Mr. Ivan Head, did not have the personnel resources to perform on a day-to-day basis a real countervailing role vis-à-vis the bureaucracy on trade matters. Mr. Head had no assistants, and was not particularly expert on trade matters himself.

Mr. Head's influence on the formulation of Canadian trade policy was sporadic but in certain areas quite important. This influence tended to be based on philosophical approaches as opposed to getting into daily details. The two major themes of Head's input into trade policy were the areas of international development and the promotion of trade links beyond the North American continent. In the area of international development, it was Ivan Head who played an important role in persuading the reluctant departments of ITC and Finance to go along with External's desire in 1975 to create an Interdepartmental Committee on Economic Relations with Developing Countries (ICERDC) to coordinate Canada's response to the "new international economic order" and who was instrumental in shifting the Canadian position during UNCTAD IV and during the 1977 Conference on International Economic Cooperation to an attitude

of greater sympathy toward the UNCTAD "integrated commodities program" and its Common Fund for commodity price stabilization. Head also wrote Mr. Trudeau's speech in 1975 given at Mansion House, England which described Canada's philosophical approach to the NIEO. Mr. Head was also, along with the then SSEA Mitchell Sharp, a prime mover behind the "Third Option" and the "contractual link" with the EEC. There is also evidence of influence by the Senior Adviser, IR, on the 1970 Foreign Policy for Canadians document, which put greater emphasis than the Pearson government on the commercial side of foreign policy⁸. It is often difficult to distinguish in such cases just what is the Prime Minister's influence and what originates with Mr. Head. Mr. Head has often played the role of "pushing and pulling" the departments in accordance with the PM's direct wishes, but given his closeness to the PM, he is also in the position of being able to interpret to specific circumstances what he regards as the "prime ministerial will", and this leaves room for independent influence by the Senior Adviser, IR. In any case, and in summary, the trade policy role of Ivan Head has concentrated on the political-diplomatic themes of trade policy, as opposed to the day-to-day trade decisions of changes in tariffs and the other instruments of controlling imports and exports.

3. Economic Council of Canada

The Economic Council of Canada was set up by the Pearson government as an independent advisory body reporting to the prime minister. Council members are broadly representative of the business, labour and academic communities, while the research or working staff

are recruited primarily from academia.

The major contribution of the Economic Council of Canada to the debate on trade policy was the publication in 1975 of a report entitled Looking Outward: A New Trade Strategy for Canada⁹, and several associated studies. Amongst other things, the report recommended broad unilateral tariff reductions by Canada to encourage rationalization of Canadian manufacturing, the negotiation of a free trade area with the United States, a vastly increased programme of adjustment assistance to Canadian industry, and the amalgamation of the Tariff Board, Anti-Dumping Tribunal and Textile and Clothing Board into a larger trade review agency along the lines of the United States International Trade Commission.

The bureaucratic and political reaction to Looking Outward was rather harsh. The proposals for unilateral tariff cuts and free trade with the United States proved particular sore points. One interviewee, a former Cabinet minister, replied that while the report was discussed in Cabinet, there was not a single minister with any sympathy for it, reasoning: "I would not want to fight an election on the issue of free trade with the United States"¹⁰. While it may be true that some politicians are privately sympathetic to the idea of a Canada-United States free trade agreement (the 1977 Canadian Elite Image Study having found about a third of ministers interviewed to be so¹¹), it would seem that public proclamations in favour of such ideas are the reserve of ex-politicians, such as Robert Stanfield¹². Reaction in the bureaucracy to Looking Outward was equally negative. The general feeling, especially in Finance and ITC, was that the report was logically impeccable but politically

naive. Finance officials were especially upset at the Council's advocacy of unilateral tariff cuts at a time when Canada was negotiating internationally.

Economic Council reports of course tend to be directed at long term solutions to problems. This is at once their major contribution to the policy process and their greatest weakness. Given that they tend not to focus on short and medium term policy options, they run the risk of either being ignored by politicians and bureaucrats or being regarded as naive. On the other hand, reports such as Looking Outward can be useful stimulants to public and intra-governmental debates on important problems.

NOTES - CHAPTER VI

- 1 Young, John H., Canadian Commercial Policy, op. cit.
- 2 Gerin-Lajoie, Paul, "CIDA in a Changing Government Organization", Canadian Public Administration, Spring 1972.
- 3 Confidential interview.
- 4 Doern, G.B., "The Development of Policy Organizations in the Executive Arena" in Doern, G.B. and Aucoin, Peter (eds.), The Structures of Policy-Making in Canada, (Macmillan, Toronto, 1971).
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PART D: CASE STUDIES
Chapter VII: CASE STUDY I: QUANTITATIVE RESTRICTIONS AND LOW COST IMPORTS

On November 29, 1976, Jean Chrétien, then Minister of Industry, Trade and Commerce, announced global quotas on the importation of 14 items of clothing affecting some \$600 million in trade, primarily with developing countries. This decision amounted to the most serious imposition of a non-tariff barrier to international trade by Canada since the Depression. It also deviated from long-standing Canadian tradition in that Canada "broke" or "set aside" (depending on one's degree of misgiving about such actions) several outstanding bilateral agreements with other countries. Not surprisingly, the decision sparked unusual controversy, both domestically and in the international setting.

One might expect that such action would have been preceded by a great deal of "pulling and hauling" and interdepartmental bargaining leading to modifications of the original proposals of the sort associated with the "governmental politics" model described in Chapter I. This had been the normal custom in the past on similar questions. Yet it will be shown that in this case the interaction of bureaucratic actors was only a marginal determinant of the decision of November 29th. The key to this decision lay rather in an interest group-politician relationship and we shall argue that the "rational actor" model best explains this case. Ministers' roles as politicians took precedence over their roles as heads of departments having different organizational ideologies and interests and their roles as regional spokesmen. This relatively unusual sidestepping of interdepartmental or bureaucratic custom moreover explains the speed with which the decision was made and its relative extremity.

As a case study, the history of Canadian quantitative restrictions and the November 1976 case should prove useful theoretically by helping

to delineate the conditions under which the above described models of decision-making apply in trade policy.

This chapter will be divided in the following way: 1. background to the textile import problem, 2. views and behaviour of the relevant actors, 3. events leading up to the November 29th decision, and 4. analysis of the decision itself.

1. Background to the Textile Import Problem

The Canadian textile industry had been a troubled one for many years. This industry as a whole can be divided into three components, the chemical sector (production of man-made fibres; confined to a small number of firms), the primary sector (weaving, spinning, knitting of various fabrics), and the apparel or clothing sector (cutting and sewing of fabrics into garments)¹. The linkages between these sectors are important. Some 45% of the primary sector's production is used as an input into the apparel sector, creating a dependency relationship, but only in one direction. The primary sector depends on the apparel sector as a market and thus shares with apparel firms an interest in restraints on the import of finished garments. But the apparel sector does not share the primary sector's interest in restraints on imports of fabrics, since it wishes to obtain its inputs at lowest cost regardless of source.

Both the primary and apparel sectors are concentrated in Quebec (69.7% of apparel firms), Ontario (21.3%) and Manitoba, with smaller pockets of activity in British Columbia and Nova Scotia². The Quebec apparel industry is centered in Montreal, with important parts in Drummondville, Ste. Hyacinthe, Chicoutimi and Victoriaville,

while Toronto and Winnipeg are the other major Canadian centres. The primary textile industry tends to be concentrated in much smaller communities.

The clothing industry is moreover a very labour-intensive one, employing directly some 144,000 persons (1976) and indirectly supporting the employment of another 171,000 (mainly in the primary textile sector)³. These 285,000 jobs in the total textile industry represent the second largest manufacturing industry in Canada in terms of employment. The employment impact is most significant in Quebec where one in four manufacturing jobs is in the textile industry. Compared with other manufacturing industries in Canada, the primary and clothing sectors of the textile industry have a relatively immobile labour force (some 75% of which is female and, in Quebec, some 40% of which are immigrants with few alternative job prospects). Compared with other countries, labour costs in Canada are very high, surpassed only by Sweden:

Hourly Wages: Clothing Industries, August '76 (\$US)

Sweden	6.82	Japan	1.60
Canada	4.40	Poland	0.88
U.S.	4.05	Romania	0.67
France	3.12	Taiwan	0.48
U.K.	2.22	S. Korea	0.38

(Source: Textile and Clothing Board, Clothing Inquiry, 29 May 1977, page VI-9.)

It is against this background that the "import problem" must be viewed. During the 1950's and increasingly in the 1960's, a number of developing countries, primarily in East Asia, developed

the capacity to export quality fabrics and garments at low cost, often subsidized by various government incentive programmes. A similar phenomenon took place in a few state-trading East European countries. This threw the entire international textile trade into disarray and caused severe dislocations in the domestic textile industries of the industrialized countries. Developed countries reacted to these pressures in a two-pronged way - by negotiating multilateral trade agreements over and above the GATT to govern the international exchange of textiles and by a series of "national textile policies".

Tariff rates no longer provided adequate protection to domestic producers faced with this surge of Third World and East European low cost imports. Some countries (like Canada) even faced problems meeting competition from some other industrialized countries. In Canada's case the nominal tariff on textile products averages 17% and on clothing 21%, while effective rates reach 24% and 25% respectively⁴. This amounts to one of the highest degrees of tariff protection afforded any Canadian industry. Yet the Third World has demonstrated a rising ability to jump this tariff wall, as indicated by these Statistics Canada figures:

Total Canadian Imports of Clothing. ('000 Units)

<u>Source</u>	<u>1961</u>	<u>1970</u>	<u>1976</u>
Hong Kong	11,264	36,717	72,808
Taiwan	973	23,906	80,384
S. Korea	---	6,410	65,417
P.R. China	581	8,730	41,965
Japan	38,012	31,646	19,187
WORLD	86,463	160,108	391,486

(Source: TCB, Clothing Inquiry, page II-5.)

The result has been a steady decline in the share of the Canadian clothing market held by Canadian manufacturers, as follows:

	<u>% of Canadian Market (in volume)</u>				
	<u>1971</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Domestic	73	67	68	64	55
Imports	27	33	32	36	45

(Source: TCB, Clothing Inquiry, page II-3.)

It is significant that in dollar as opposed to weight terms, import penetration seems less severe. Clothing imports were estimated in 1976 at 22.5% of the dollar value of the Canadian market⁵. The opposing interests, of course, tend to emphasize the one or the other measure in their arguments. Regardless of whether one measures in dollar or weight terms however, the trend has been toward increasing import penetration of the Canadian market.

GATT provisions had proven inadequate to deal with such surges in textile exports from low cost countries. The GATT could not provide for an orderly expansion of Third World exports while at the same time allowing Western domestic industry the time and security to plan adjustment to this competition through specialization and rationalization. The GATT "safeguard" clause, Article 19, permits only non-discriminatory restrictions, regardless of the source of injury, which on the whole stemmed from LDC's. This led to a proliferation of restrictions in the 1950's which hurt other industrialized countries that were not normally the source of injury and to other "illegal" restrictions which discriminated against LDC's. Exporting countries were also adversely affected in that restrictions once in place tended to remain in force indefinitely and were imposed in an arbitrary manner.

without consultation or review. In order to head off a rapidly gathering protectionist movement in many developed countries, the Long Term Arrangement Regarding International Trade in Cotton Textiles (LITA) was negotiated in 1962, lasting until 1973. The LITA was a departure from the GATT non-discrimination or MFN principle in that importing countries were permitted to introduce restraints on cotton imports against specific countries. During the 1960's, however, fibres other than cotton came to dominate international textiles trade and many countries, including Canada, reverted to Article 19 GATT action with all its defects. The result was the Arrangement Regarding International Trade in Textiles (ITA), also known as the MultiFibre Agreement (MFA), which came into effect in January 1974. The ITA or MFA covered all textile fibres and again provided for discriminatory restrictions against the specific countries deemed responsible for injury. It also added several improvements from the standpoint of IDC's: restrictions were to be limited to specific product classes causing or threatening injury, for specified periods of time, in consultation with exporting countries, and only after public enquiries had established the presence of injury. An international mechanism, the Textile Surveillance Body, was created to which restrictions were to be reported. The MFA also provided for more favourable base levels and growth rates for IDC's* and exempted handloom and handicraft textiles from restraints⁶.

* "Base levels" refer to the level of imports on which quotas are applied, usually related to some past import "performance". As for "growth rates", the MFA provides for growth of quota each year, usually 6%, but sometimes higher for the low income IDC's.

Besides multilateral accords, Western governments also reacted to import pressures in textiles from IDC's by adopting industrial strategies for their domestic textiles sectors. Sweden and Japan came closest to what might be termed a phase-out of substantial parts of their domestic operations, though this course of action has now been partially reversed in these two countries. The EC and the United States have pursued "closed door" approaches to the problem. The United States, for example, after a short period of experimentation with selective restraints under Article 3 of the MultiFibre Agreement, later adopted a policy of comprehensive long-term import restraints, normally of 5 years, resulting in a domestic producers' share of the United States market of over 80 per cent. The Canadian government's policy, generally referred to as the "Textile Policy" introduced by former ITC Minister Jean-Luc Pépin in July 1970, was somewhat unique. That policy had the following characteristics:

- i) It was based upon the assumption (which has been questioned by many, both inside and outside government) that the Canadian industry could become technologically efficient enough to meet import competition from developed countries with the aid of the tariff alone, and indeed would be able to improve its export performance. With this in mind a number of industrial assistance and export promotion programmes were set in motion, with mixed results⁷. The policy was never clear as to how much contraction of Canadian industries would be permitted to accommodate the labour cost comparative advantage of IDC's or to what degree it would accept wage differentials as a legitimate element of comparative advantage which should not

be artificially interfered with through commercial policy measures. In times of unemployment and pressure from the industry, the tendency has been to see "cheap labour" advantages as unfair.

ii) Special measures of protection would be used to prevent injurious imports from low wage countries, during the period of rationalization. Specifically, the Export and Import Permits Act was amended to empower Cabinet to use quotas by placing goods "causing or threatening to cause serious injury" on the Import Control List.

iii) The Canadian government, at least until November 1976, and unlike most other governments, pursued a policy of scrupulous adherence to the letter and spirit of the ITA.

In accordance with the multifibre accord, Canada negotiated voluntary export restraints or VER's (administered by the exporting country) only after public inquiry to establish whether in fact injury or threat of injury had taken place. Canadian VER's were negotiated only with the countries responsible for the injury, for specific products shown to have caused injury, and for specified periods of time (with restraints being lifted after the threat subsided).

iv) The government set up formal mechanisms to implement the policy. The Textile and Clothing Board (TCB) was created to conduct inquiries (upon request of the ITC Minister or after direct appeals from Canadian producers) as to whether injury or threat thereof was occurring, and was empowered to recommend special measures of protection only when

it was satisfied that the firms involved had undertaken plans for adjustment to meet international competition. The Interdepartmental Committee on Low Cost Imports (ICI Com.), a formal body at the assistant deputy minister level created by order-in-council in 1961, was transferred from the chairmanship of the Department of Finance to ITC, and was charged with the interdepartmental review of TCB recommendations and with making recommendations to the Minister of ITC. Ultimately, special import policy must be decided in Cabinet or Cabinet Committee, where the political dimension is most likely to be taken into full account. (Import controls, it should be noted, require an order-in-council.) The Office of Special Import Policy of ITC was charged with negotiation of restraint agreements with exporting countries.

The Pépin textile policy resulted in considerable technical rationalization of the Canadian industry, but could not reverse the trend toward ever increasing import shares of the Canadian market. Technical rationalization simply could not make up for the labour cost disadvantage of Canadian producers. Among Western countries only Sweden has experienced deeper import penetration of its textile and clothing markets. In 1975, for example, comparative per capita imports of clothing from developing countries were: Sweden \$18.01 (U.S.), Canada \$10.39, United States \$9.24, EEC \$7.72 and Japan \$2.75⁸. In terms of the percentage of textiles under restraint in 1973, no other Western country had a more open market place (U.S. 71% of imports under restraint, EEC 48%, Sweden 11%, Canada 7%).

From a domestic political perspective, the Canadian government's attempt to establish a delicate balance between reasonable protection for a troubled Canadian industry and providing the consumer with a wide range of reasonably priced textiles and clothing pleased neither manufacturers, nor importers and retailers, nor consumer groups. And many academic economists questioned whether the Policy was realistic in assuming that time to accomplish technical rationalization could overcome the Canadian industry's wage rate disadvantage, suggesting that most of the industry was in fact a lost cause.

2. Views and Behaviour of Actors: Prelude to a Crisis

The relevant actors in the clothing controversy were of five types: non-governmental interest groups, bureaucratic actors, provincial and external actors, parliamentary actors, and the political leadership. We shall examine their past behaviour, views and interests, strengths and weaknesses, and the arenas in which they made their principal inputs into the decision process.

a) Non-Governmental Interest Groups

In the months preceeding November 1976, the group most vociferous in its demands for special measures of protection was the clothing manufacturers, led by the Apparel Manufacturers Association of Quebec, the trend-setter in the Canadian industry, and strongly supported by the Ontario, Manitoba and British Columbia associations. The apparel industry's position had long been that it was as technologically efficient as any in the world, but that uncertainty as to future levels of imports from low cost countries severely compromised the industry's ability to plan ahead in its investment decisions. The responsibility

for this uncertainty was placed squarely on the shoulders of government, which was accused of long delays in the negotiation of restraint agreements and too great a "wish to adhere scrupulously to international rules"⁹. "It is doubtful that any other industrialized country can match Ottawa's record at doing so little so late - a record which has brought plant closings, lay-offs, and short weeks, and unprecedented dependency to industry leaders and ordinary people in this country"¹⁰. Throughout the clothing controversy the industry was steadfast in its claim that clothing prices would not rise significantly as a result of import restraints, and moreover that a healthy Canadian industry would prevent consumers from being gouged by importers and exporting countries. The solution to the import problem envisaged by the apparel manufacturers lay in comprehensive, long term quotas on the American model.

Apparel manufacturers received solid support for their claims and recommendations from the Canadian Textiles Institute (CTI), the major representative of primary textile producers, in spite of the fact that the reverse had not always been true (since apparel producers have a vested interest in cheap imports of fabrics). The Institute supported the contention that import controls would not hurt the consumer and recommended a comprehensive approach to protection - three tier quotas to cover fibre, fabric, and finished garment imports.

Strongly opposed to these manufacturers' groups and their contentions were the importers and retailers associations, whose interests obviously diverge greatly from those of domestic

producers. About the only issue upon which importers and retailers had traditionally agreed with the manufacturers was in condemning government for its "total lack of direction"¹¹. On the price question, the Canadian Textile Importers Association, the Canadian Importers Association and the Retail Council of Canada (representing the major department stores) agreed that import controls would be a major cost to the consumer. They further argued that the efficiency of the Canadian textile industry was in serious doubt and that at least part of it should be phased out. Importers and retailers agreed with the manufacturers that, if quotas must be imposed, they should be long term and global (to allow maximum "shopping around"), but unlike the manufacturers called for as large quotas as possible and that they should be made strictly conditional on improvements in the efficiency of Canadian industry.

The general thrust of the importers' and retailers' arguments were accepted by the Consumers Association of Canada (CAC) on the grounds of consumer interest. The CAC was principally interested in the price of low cost clothing for low income consumers. After November 29th, however, the consumer movement split on the clothing question, with the Quebec wing of the CAC supporting the controls.

Predictably, the major trade unions in the textile industry, the Centrale des Syndicats Démocratiques, the Confederation of National Trade Unions, the Amalgamated Clothing and Textile Workers Union and the International Ladies Garment Workers Union,

supported the manufacturers' view of the competitiveness of the industry and the "unfairness" of competition from Third World and state trading countries. In fact, the textile unions had for several years been at odds with the generally pro-free trade stance of the Canadian Labour Congress, and had (unsuccessfully) put considerable pressure on the CLC to change its policy on international trade.

In summary, the interest group community on the clothing import question corresponds quite well to Walter's typology to actors in his "model" of trade policy-making (see Chapter I). We have here a clearly divided "protection-biased sector" and a "trade-biased sector", each pressuring government to act in a different direction.

b) Bureaucratic Actors

The behaviour of bureaucratic actors might best be described by reference to the Interdepartmental Committee on Low Cost Imports (LCI Committee), the main arena in which interdepartmental interaction on textile import questions had traditionally taken place.

In the large majority of cases before it prior to the November 1976 decision, the dynamic of operation of the Committee worked in terms reminiscent of the "governmental politics" model. Proposals of the responsible department, ITC, were modified by interaction between departmental officials in the LCI Committee and between ministers in Cabinet Committee. We should now examine this "traditional" or "standard" governmental politics process in some detail.

Created by order-in-council in 1961, the chairmanship of the ICI Committee passed from Finance to ITC in 1970 as part of the Textile Policy. According to the Cabinet directive authorizing this transfer, the Committee was given the tasks of advising the Minister of ITC as to whether import controls are necessary, the form they should take (since the advent of the Textile and Clothing Board in 1971 this has in fact meant review and amendment of TCB recommendations), and to ensure that Canadian controls policy is consistent with international commitments and diverse domestic consumer and employment interests. This balance of interests was presumed to result from the dynamics of interdepartmental interactions.

In fulfilling these objectives, however, a major weakness of the ICI Committee mechanism has been that the Committee does not have access to company plans for adjustment, the major condition for protection under the Textile Policy, since the Textile and Clothing Board Act ensures confidentiality of company plans submitted to the TCB. Although some officials in other departments suspect that the higher ITC officials have access to these plans, there is no hard evidence to substantiate such claims¹². It is quite possible that ITC officials are able to obtain a rough idea of the plans through contacts between companies and the Textile and Consumer Products Branch of ITC, but they are not getting the information from the TCB (one senior ITC official admitted to having requested it at least once, but insists that it was refused)¹³. Many officials in all departments, including ITC, have their doubts

about the seriousness of these adjustment plans and question whether the Board ever checks up to verify whether they are actually being implemented. These suspicions are impossible to verify, but the fact that officials perceive them to be so affects the nature of the decision-making process on low cost imports. Incomplete data and less than full confidence in the Board encourages an interest representation process in the Committee, particularly on the part of "special interest" departments.

Another weakness of this kind of exercise involves the difficulty in objectively defining "serious injury or threat of injury", the other major condition for protective action under the MultiFibre Agreement. It is hard to determine whether the problems of the industry are at a given time the result of unfair imports, or whether factors such as a downturn in the economy, a shift in consumer demand or poor management are predominant. The Canadian industry is in any case always complaining about imports. Absence of complete information on plans and objective criteria for establishing injury or threat of injury reduces the scope for decision-making based on informed and considered analysis. Instead, member departments of the ICI Committee have tended to put forward subjective arguments based on the interests in society or internationally that they see themselves as representing. Decisions then seem to be based as much on the dynamics of bargaining between departments as on informed analysis.

The Committee has as members nine departments, of which the departments of ITC, Finance, External Affairs (DEA), Consumer and Corporate Affairs (CCA), Privy Council Office (PCO) and the Canadian International Development Agency (CIDA) are the only ones of consequence. As in most interdepartmental committees on trade questions, the ministries of ITC, Finance and External Affairs stand out as far and away the most significant, to the point that "if these three agree, the measure proposed is almost certain to be recommended to the minister"¹⁴. No formal votes are taken, but the other departments influence outcomes primarily in the event of division among the heavy-weight departments. The committee functions officially at the Assistant Deputy Minister (ADM) level, but like other such mechanisms, much work is done at a lower "working level". Departments vary moreover in the level of officer they send to meetings.

Decision-making in the committee normally begins with a set of ITC proposals based on TCB recommendations. The typical interaction is then "for Finance and External to attempt to whittle down ITC's protectionism"¹⁵. The others, CCA and CIDA and to some extent PCO, attempt the same, but generally in a way which is perceived by the big three as more one-sided (in favour of their special interests) and less willing to compromise. The ICI Committee is not a simple rubber stamp of either the ITC Department or of the Textile and Clothing Board. ITC officials have themselves proven reasonably flexible (especially those from the Office of General Relations or the

trade policy wing of ITC) and open to change, but this flexibility depends greatly on the attitude of the incumbent minister and the extent and form of pressure he puts on his own officials. Alistair Gillespie, for example, was generally considered less firm in his opinions on textile questions than Jean Chrétien, and thus there was during Gillespie's tenure more room for interdepartmental compromise. The interest and determination of other ministers in Cabinet is of course also relevant.

The other side to the decision-making dynamic of this and other interdepartmental committees, and one which imposes upper limits on the amount of interdepartmental bargaining that takes place, is that of the lead department principle. Where one department has clear responsibility in a given policy area there exists a sort of unwritten gentlemen's agreement accepting the legitimacy or primacy of the responsible department. Other departments, but especially the big three, will not press their case too far, thus avoiding intractable disputes. Some of the more junior departments, as we shall see, have been slower to accept this principle.

The minister of ITC is not bound to accept the recommendations of the committee and has on several occasions rejected them. For example, a committee recommendation in 1975 to impose a surtax on polyester yarns was rejected by Alistair Gillespie, only to be imposed later by Jean Chrétien. However, most recommendations agreed to by ITC, Finance and DEA have been accepted.

Departmental concerns and behaviour in the LCI Committee correspond roughly to the stereotypes. The Department of ITC exhibits a generally more tolerant view of special protective measures than do the other major participants. This ITC "protectionist" ideology, understandable in the light of the Department's recognized constituency in Canadian business, is tempered by the more liberal orientation of ITC's International Trade Relations Branch as compared with the Industry Branch. Within the international branch, the Office of General Relations is considered more suspicious of protectionism than the Office of Special Import Policy, whose function it is to negotiate restraint agreements with foreign governments. The Textile and Consumer Products Division of ITC's industrial wing is regarded by most other participants as "the ultimate in protectionism"¹⁶. ITC's bargaining advantages in the Committee are based on its technical expertise in a number of areas involved, its in-depth knowledge of the affected Canadian industries, its chairmanship of the Committee, and its legal responsibility for the textile policy and the negotiation of restraint agreements. But the ability of other departments to influence outcomes has been increased by divisions within ITC.

The Department of Finance is non-protectionist by ideology in the area of special import policy and probably the most objective and pragmatic of LCI Committee participants. It is consequently the department whose position on given issues is most difficult to predict in advance. Unlike other departments with clear-cut constituencies in this field (e.g. ITC's

industrial wing - business, CIDA-IDC's, CCA - consumer groups and importers), Finance officials have proved sensitive both to the principle of international obligations and to domestic employment and inflation considerations, as well as to the general economic objective of liberalizing trade. Consequently, Finance's positions tend to fall between those of other departments, generally coming down on the side of some form of protective action, but in the least blatant and most conditional form possible. Due to its departmental prestige and the high esteem afforded it by others in terms of expertise and fairness, Finance has had considerable success in liberalizing ITC's original proposals. In most cases of special import policy which have come before the committee since 1970, Finance has been able to exact concessions from ITC in terms of growth rates, type and duration of protection and rationalization conditions.

The Department of External Affairs tends to view its role in this, as in other committees in the trade field, as one of promoting consistency in foreign policy objectives. But this desire for consistency leads DEA to act in a somewhat ambiguous fashion. On the one hand, DEA is perhaps the real "representative of the LDC's"¹⁷ in Canada on such issues, performing in a more moderate way what CIDA is often unable to do because of frequent extremism. A concern about the Canadian image on LDC matters, and more generally on matters of international obligations, leads DEA to argue consistently in favour of higher growth rates for LDC's and stricter rationalization

conditions. Its relative importance in the departmental hierarchy and its traditional special link with prime ministers has allowed some success in alliance with Finance in whittling down ITC's more protectionist proposals. But other foreign policy considerations, and in particular the desire not to be seen as playing favourites among foreign countries, occasionally leads DFA into a somewhat paradoxical position. As long as it is a question of giving special consideration in growth rates and base levels to all LDC's, DFA generally plays a role of a sympathetic friend of the Third World. However, when it is proposed that Canada discriminate between LDC's, for example by affording special treatment to the poorer LDC's such as India but not to the higher income Third World countries such as Korea and Hong Kong, External balks. The paradox is that on several occasions Industry, Trade and Commerce, by inclination ideologically less sympathetic to LDC's, has proven willing to go along with special treatment for the India's (because they represent less of an "import threat" than the higher income LDC's) while DFA has opposed this out of a desire not to be seen as playing favourites. To sum up then, DEA's role as a sympathizer with LDC's interests and as a non-protectionist force is well established, but tempered by other considerations.

The Canadian International Development Agency has proven largely ineffectual as a defender of LDC interests, the inter-departmental role which, at least under the presidency of Mr. Gérin-Lajoie, the agency had set for itself. This is partly due to certain weaknesses in CIDA's bargaining

capabilities - a low level of legitimacy in trade matters accorded the Agency by other departments and inadequate staff and research capacity (these being partly the result of low priority given to non-aid matters by senior CIDA management). The manner in which CIDA has presented its arguments was also perceived as somewhat offensive by most other participants. CIDA entered the LCI Committee only in 1974, and at first pursued a policy of aggressive promotion of LDC interests, an ideological approach that was described by officials in other departments as the "what can we give away today" policy¹⁸. The approach was counterproductive in that it tended to do little more than alienate the heavyweight departments, and embarrass DFA whose officials believed that their more moderate pursuit of the LDC point of view was undermined by CIDA's aggressiveness¹⁹. After the CIDA Strategy²⁰, CIDA's interest in the Low Cost Imports Committee seemed to decline, partly because of an estimation that countries like Korea and Brazil were not genuine LDC's and partly because of staff shortages in CIDA's Policy Branch.

The Department of Consumer and Corporate Affairs has also had a lesser influence on the LCI Committee's recommendations than might have been expected. Given that CCA does have the capability for informed, independent economic analysis, the weaknesses in CCA's approach may have been more costly to the non-protectionist side than those of CIDA. CCA's interest in trade policy is derived from its legal

responsibility for competition policy in Canada and its moral championship of the consumer interest in minimum trade barriers, factors which place the department squarely on the side of trade liberalization. But its ability to pursue these objectives has been greatly compromised by the rapid succession of ministers (eight since its creation including six in the last six years) and of deputy ministers (five since the department was established in 1968). And in terms of its behaviour in the interdepartmental setting, CCA is generally perceived to suffer from a "presentational problem". Correct or otherwise, the feeling exists, particularly among the big three departments, that CCA's argumentation has shown a lack of concern for Canadian industry and the employment situation, by pursuing an "all or nothing" strategy. Finance and DEA have interpreted the decision dynamic in the LCI Committee as one of accepting that ITC's basic proposals cannot be altered (in other words, it is useless to argue for no protection at all), and working to extract concessions out of ITC. CCA has not for the most part of the Committee's duration accepted this strategy. Instead, it has argued for no protection at all, an approach which has probably proven counterproductive.

The role of the Privy Council Office in this and most other trade policy committees has basically been to ensure that appropriate consultation between departments has taken place and to liaise upward with the Cabinet Committee on Economic Policy, to which most low cost import questions have

been referred for ultimate decision. Most PCO input into the LCI Committee's proceedings has been to point out its view (and the inferred view of Cabinet ministers) of the political impact of various options on employment and regional goals.

Such was the "rapport des forces" in the Low Cost Imports Committee prior to the November decision on clothing imports. Although we shall argue that the civil servants' role in the November 29th decision was much less than usual, it has been important to discuss the dynamic of the LCI Committee, since it was an important part of the standard decision-making procedure, characterized by a high level of bureaucratic and ministerial bargaining, which was upset in November 1976.

c) Provincial and External Actors

Actors external to the federal political system have played a significant role in special import policy-making. Provincial governments, particularly those of Quebec and Ontario, often made statements critical of federal low cost import policy as "too generous to foreigners", and their representatives on the ITC Minister's Advisory Committee on textiles gave consistent support to industry viewpoints.

Foreign governments, via bilateral contacts and via international institutions like the GATT Committee on Textiles, had intermittently commented on Canadian policy in this area, criticizing protective actions. This is, of course, the typical foreign input into any national trade policy decision. Canada did not consult with its trade partners prior to the impending

action on clothing imports of November 29th, and thus the foreign input in this particular case came only after the date.

d) Parliamentary Actors

Traditionally the most important parliamentary influence on the textile import question has been via individual MP's reacting to pressures from riding interests, and exerting a "protection-biased" impact, either in the governing party caucus, in the Standing Committee on Finance, Trade and Economic Affairs, or from the opposition benches. In this respect, it happens that the MP's most affected are predominantly Liberal in Quebec and Conservative in Ontario, with but a few exceptions, such as Heward Grafftey (P.C., Bromfield, Quebec). Informed observers estimate that the influence of individual MP's, particularly government caucus members, in favour of protective action, is frequently considerable²¹.

Other parliamentary institutions have periodically intervened on these issues, such as the Subcommittee of the Standing Committee on External Affairs on International Development, whose Report to the House of April 1976 advocated liberalized trade policies toward developing countries, and the Senate whose hearings on the textile industry and Report (April 1976) proved very supportive of the domestic industry's view. The Senate hearings, as we shall see, did have some impact on the November 29th decision, while the influence of the House Subcommittee can be judged by the

comment of a senior member of the Textile and Clothing Board, that he had not heard of the Subcommittee's report²².

e) Political Leadership

The individual styles, views (including attitudes on the free trade vs. protectionism debate and Third World questions) and riding interests of Cabinet Ministers have always been important determinants of special import policy. Cabinet is particularly important as the locus of regional considerations, since these are not guaranteed to result from the interactions of functionally defined departments, and interviews indicated that much of the debate on textiles issues at Cabinet level has focused on diverging regional interests²³. The prestige of individual ministers is also important (for example, in limiting CCA's influence). The role of these factors in the particular Cabinet which made the November 29th decision will be discussed shortly.

3. Events Leading Up to November 29th

The year 1976 experienced a rapid growth in import penetration of the clothing market from low cost countries, in at least some clothing categories. According to the TCB Report (May 29, 1977), "in 1976, imports increased at such a sharp rate and in such a disorderly manner that the market was completely disrupted. Among the garments included in this inquiry, the overall increase for 1976 was 46%, while the increase among the individual categories ranged from 9% to 370%"²⁴.

By fall, almost all concerned parties agreed that something had to be done. Yet one must go beyond the fact of rising import penetration to explain the drastic and unprecedented action of November 29th. It was unprecedented in several ways: the quotas applied to all 14 of the clothing items under consideration, regardless of whether import penetration was closer to the 9% lower range or in the upper range; this was a move away from the product specific rule of the MultiFibre Agreement. The quotas were applied globally, in contravention of the country specific rule. Several existing voluntary export restraint agreements and another in the process of negotiation were set aside; although this had been done before and was not strictly illegal under the MFA, it was widely interpreted as a violation in spirit of the accord. This time, moreover, the quotas were to be administered in Canada, unlike the usual practice of negotiating VER's with exporting countries, and were applied without prior consultation with exporting countries or the GATT Secretariat. These new elements call for an explanation, going beyond the statement that, for at least some clothing items, there was an import problem.

Our view is that the summer and fall of 1976 witnessed an unprecedented politicization of the textile and clothing problem, and that the relevant ministers reacted to this as party politicians rather than as heads of departments or regional representatives.

The chronology of this politicization was as follows:

- 1) Politicization began March 1976, during Senate hearings on the textile industry and was given a boost by the Senate Standing Committee on Banking, Trade and

Commerce Report of April 8th. This report was highly critical of government policy, claiming that "the cause of this situation appears to be an unwillingness by the government to implement the textile policy in accordance with the aims of that policy, and in fact to promote almost an open door policy"²⁵.

Perhaps of greater significance than the Report itself were the preceeding hearings: these provided the

industry with its first opportunity in some time to "sound off" to government. The new minister of ITC, Don Jamieson, who at that point was not especially familiar with the industry, came under heavy fire at the hearings and decided to find out what was going on. He instructed his officials to institute an ITC Ad Hoc Committee to study the situation with textile and clothing manufacturers, labour unions and provincial representatives. Neither importers nor consumer groups were asked to participate, and they were subsequently bitter about this²⁶.

ii) In June, the official opposition introduced in the House of Commons a motion condemning government textile policy, led by MP's Heward Grafftey and Flora Macdonald and supported by the Crditistes. Jamieson's response that "things are not as bad in the whole industry as has been said" irked the producers' associations. Later that month, Ontario Minister of Industry, Claude Bennett, entered the fray with a denunciation of Ottawa's policies.

claiming that some 4200 Ontario jobs were in immediate danger²⁷.

iii) In July an instance of what was widely perceived as government mismanagement came to light, concerning restraints on imports of outerwear (July 16th). The fact that the decision came some four months after the TCB recommendations were made, was cited time and time again during the summer and fall by industry spokesmen to illustrate ITC procrastination and government insensitivity to their problems.

iv) On July 30th, the Ad Hoc Committee presented its report to Jamieson. It recommended an urgent TCB inquiry into the clothing import situation and the setting up of a permanent Advisory Panel of government, industry and labour representatives. The panel's first task would be to study the desirability of the "comprehensive" approach to import control (ie. long term bilateral agreements on related products). Jamieson had already rejected the recommendation of industry and labour members of the Ad Hoc Committee that the comprehensive approach should be immediately negotiated; instead he called for further study via the Advisory Panel. He also dissociated himself from their statement that import penetration beyond 1975 levels "cannot be tolerated"²⁸. Consequently, the feeling grew in the industry that the government was procrastinating. But Jamieson did promise that the Textile and Clothing Board would soon be requested to inquire into the clothing

situation, as soon as government-industry consultations had determined what precise items of clothing should be investigated.

v) The key event in the unfolding drama came with the Cabinet shuffle of September 14th, which included the appointments of Jean Chrétien as ITC Minister, Don Jamieson as Secretary of State for External Affairs, and Tony Abbott as Consumer and Corporate Affairs Minister. Just two days later, the Textile and Clothing Board received a formal request from Chrétien for an urgent inquiry into the clothing situation and an interim report as soon as possible.

Since Mr. Chrétien's role in the November 29th decision was crucial, we should examine his views and personal style, at least as they relate to the issue at hand. As a Quebec Minister with substantial textile interests in his riding, Chrétien was more familiar with the problems of the industry than most ministers and acutely aware of its political sensitivity. In a speech to the Canadian Textiles Institute in Montreal in early November, Chrétien described as his "priority number one" the safe-guarding of textile jobs and stated that this would involve a cost, of which consumers "will have to take the brunt". He was careful, however, to note that Canada should do its share for developing countries and warned the industry that "I wouldn't want you to try to stick it to the consumer"²⁹. These latter assertions may have been somewhat pro forma in that Chrétien had on several occasions described Canada as "the boy scout

of the world" in relation to the international obligations and international development aspects of the textiles questions³⁰. Besides Chrétien's basic sympathy toward the textile industry, we should also note his personal style and what appears to be a self-image as a man of action fighting the tentacles of bureaucracy.

Upon assuming the ITC Ministry, Chrétien informed reporters that "I intend to cut out the bureaucratic squabbles that often make the decisions six months late"³¹. Departmental officials have variously described Chrétien as "priding himself in making decisions"; "a strong minister who does not like to lose" and, in reference to a meeting of federal and provincial ministers, "the most protectionist man in the room"³². Mr. Chrétien was about to "develop policies in the next few weeks to give you (i.e. the industry) stability"³³.

vi) Meanwhile, during September and October, the Textile and Clothing Board was conducting its inquiry and preparing an interim report, via meetings with industry and government policy-makers. The most significant part of the interim TCB inquiry, and part of the increasing politicization of the issue during the summer and fall of 1976, was a joint representation by the clothing associations under the title "Emergency Interim Submission", which called for immediate action to curtail imports. Since the several clothing associations (Apparel Manufacturers Associations of Quebec and Ontario, Manitoba Fashion Institute) normally submit

separate briefs, and because the joint submission was strongly supported by the primary textile industry and the labour unions, the impact of this new industry-wide unity was great.

On November 8th, the Textile and Clothing Board presented its interim report to the ITC Minister, concluding that "the categories of clothing listed below (there followed a list of 14 items, covering virtually all clothing types) are being imported in such quantities and in such conditions as to cause or threaten serious and immediate injury to production in Canada that would be difficult to repair"³⁴. The Board recommended on an interim basis, pending completion of the inquiry:

- a. that the Import Control List be amended to include the 14 clothing items listed,
- b. that the level of imports (of these goods) be limited in 1977 to the level of imports from all sources during 1975,
- c. that, in those cases where limitations have already been implemented, imports in 1977 be limited to the level of imports in 1975, or to the level of the limitation, whichever is lower,
- d. that the limitation on imports be controlled through the issuance of permits to importers on the basis of their performance in each of the product categories.

4. The Decision

Between November 9th and November 29th, meetings of the Interdepartmental Committee on Low Cost Imports (at the ADM level) and the Cabinet Committee on Economic Policy took place which determined the outcome of developments to that point. The precise dates of these meetings are unclear due to confidentiality, but the ICI Committee meeting took place first.

a) LCI Committee Meetings

Officials from the departments of Finance, External Affairs, Consumer and Corporate Affairs and CIDA were opposed to three aspects of the TCB recommendations: the broadness of product coverage of the proposed roll-back of imports to 1975 levels, the globality of the roll-back, and the setting aside of existing VER agreements. Since the growth of import penetration in 1976 had ranged from 9% to 370%, it was claimed that not all of the 14 clothing items deserved the roll-back. The globality of the roll-back was questioned on the grounds of wide divergence in the degree to which various countries were "responsible" for penetration. External Affairs was particularly concerned about the wisdom of the proposal to set aside existing VER's. Consumer and Corporate Affairs was especially worried that restraining imports to 1975 levels would be a heavy penalty for consumers. PCO and CIDA called for special consideration of the interests of the lower income LDC's such as India.

Particularly interesting is the fact that ITC officials either agreed with other departments' objections or were amenable to compromise, though they were not as concerned as the others about the setting aside of existing VER agreements. This, however, was Jean Chrétien's first major intervention as ITC Minister during November: he placed strong pressure on his own officials:

We in Finance and External might have got concessions from ITC officials. But Chrétien had them under the gun saying 'I want action and quick'. After that the ITC officials were unbending.³⁵

b) The Cabinet Decides

How did Jean Chrétien persuade his Cabinet colleagues to accept the TCB recommendations in full? In spite of the fact that their officials were opposed to key aspects of the TCB recommendations, the two other key ministers, SSIA Don Jamieson and Donald MacDonald of Finance, succumbed to "a great selling job" by Chrétien³⁶. The arguments which convinced Jamieson and MacDonald were the following:

- i) Chrétien's proposed action was based on a Textile and Clothing Board interim report.
- ii) The controls were argued to be interim in nature, pending completion of the TCB inquiry.
- iii) Unemployment was as high as the government was low in the opinion polls.
- iv) The TCB recommendations were the speediest route possible.
- v) The victory of the Parti Québécois in the Quebec election only a few days before had made the other ministers acutely sensitive to the "need" to use foreign economic policy in pursuit of national unity goals. In particular, the supposed link between employment levels and the federalist cause was alluded to.

Donald MacDonald apparently needed more convincing than Jamieson, who had recently come from ITC and no doubt vividly recalled the pressure he had been under from the Canadian textile industry and unions. As a Newfoundlander, the problem of regional unemployment was one he understood well.

Macdonald, on the other hand, was more inclined to be suspicious of protectionism. And Tony Abbott, the Minister of Consumer and Corporate Affairs, shared the same inclination, particularly as he was a past president of the Retail Council of Canada and had been involved in these import questions before as a private citizen. It appears that the key factors in convincing Macdonald and Abbott were the Quebec election and the acceptance of Chrétien, after Trudeau himself, as the spokesman for Quebec in Ottawa. It would have been difficult, even for powerful ministers like Macdonald and Jamieson, to challenge Chrétien's contentions about the link between unemployment and separatism in Quebec. And the one man who might have, the Prime Minister, did not intervene. Although Mr. Trudeau is known to have relatively liberal views on trade policy, it is not his custom to intervene regularly in the decisions of Cabinet Committees, and in the post November 15th atmosphere was probably inclined to give the benefit of any doubt to his ITC Minister. Jean Chrétien, the anti-separatist man of action, had won the crucial round two of the decision.

The Cabinet decision was announced by Chrétien on November 29th and became effective November 30th. In accordance with the previously defined "rational actor" model, ministers developed shared images based on their roles as party politicians and set aside those departmental and regional roles which had guided their behaviour on

special import policy in the past. The growing politicization of the issue through the summer and fall of 1976 climaxed with the Quebec election of November 15th. Bureaucrats in the various departments continued to hold divergent views on the TCB's recommendations, and had they been allowed to, no doubt would have reached some sort of compromise different in many respects from the actual November 29th decision. But with Cabinet temporarily united on the issue, the bureaucrats became largely irrelevant to the decision-making process.

Postscript

Subsequent events indicate how ephemeral such cases of rational actor-style shared images may be in the field of trade policy. Once the political crisis aspects of the November decision had worn off, many elements of "traditional" or "standard" governmental politics processes began to re-emerge. Although we have not undertaken the depth of research necessary to verify this, it would appear that follow-up decisions on clothing imports were once again made via a process of bargaining and compromise at both bureaucratic and Cabinet Committee levels. Whereas the final report of the Textile and Clothing Board, issued in May 1977, recommended the negotiation of five year VER's with 21 exporting countries, a compromise was reached whereby only the seven largest exporters would be subject to restraint for three years. Pending negotiation however, the global quotas have been extended three times, up to the end of 1978.

NOTES - CHAPTER VII

- 1 For a fuller discussion of the textile industry in Canada, see Pesticau, Caroline, The Canadian Textile Policy: A Sectoral Trade Adjustment Strategy?, (Montreal, C.D. Howe Research Institute, 1976).
- 2 Textile and Clothing Board, Clothing Inquiry: A Report to the Minister of Industry, Trade and Commerce, (Ottawa, 29 May 1977), page V-3.
- 3 Ibid., page V-17.
- 4 Pesticau, Caroline, "Market Access for Manufactured Exports from Developing Countries", a paper presented to the Second Annual Halifax Conference on Canada and the New International Economic Order, St. Mary's University, August 26-29, 1975.
- 5 Montreal Gazette, 17 July 1976.
- 6 For a fuller discussion of the agreement from a Canadian perspective see Sarna, Aaron J., "Safeguard Against Market Disruption: The Canadian View", Journal of World Trade Law, #4, 1976.
- 7 Pesticau, Caroline, The Canadian Textile Policy, op. cit.
- 8 Textile and Clothing Board, Clothing Inquiry, op. cit., page II-8
- 9 Montreal Gazette, 27 August 1976.
- 10 Montreal Gazette, 19 November 1976.
- 11 Montreal Gazette, 3 July 1976.
- 12 Confidential interview.
- 13 Confidential interview.
- 14 Confidential interview.
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- 17 Gerin-Lajoie, Paul, "CIDA in a Changing Government Organization", Canadian Public Administration, Spring, 1972.
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- 21 Confidential interview.
- 22 Confidential interview.
- 23 Confidential interviews.
- 24 Textile and Clothing Board, Clothing Inquiry, op. cit., page II-9.
- 25 Senate of Canada, Standing Committee on Banking, Trade and Commerce, Report on Textiles, 8 April 1976.
- 26 Montreal Gazette, 3 July 1976.
- 27 Ottawa Citizen, 18 June 1976.
- 28 Montreal Gazette, 31 July 1976.
- 29 Montreal Gazette, 10 November 1976.
- 30 C.B.C. Transcripts, Radio Noon, C.B.O., Ottawa, 7 January 1977.
- 31 Financial Times, 11 October 1976.
- 32 Confidential interviews.
- 33 Montreal Gazette, 10 November 1976.
- 34 Textile and Clothing Board, Interim Report on Clothing, 8 November 1976.
- 35 Confidential interview.
- 36 Confidential interview.

The 1975 CIDA Strategy described the General Preferential Tariff (GPT), which gives preferred entry into the Canadian market for a broad range of products from developing countries, as the "key non-aid instrument already adopted by Canada" to assist the Third World¹. While in view of the limitations of both the Canadian and other countries' GPT schemes, this assertion is at least a little immodest, the background and evolution of the GPT nevertheless provides an interesting case study of tariff setting and the interaction of trade policy and the overall concerns of foreign policy.

The decision-making process on GPT matters can be conveniently divided into two phases - a pre-1974 formulation phase and a post-1974 (the year in which the Canadian GPT scheme came into effect) phase during which most decisions have concerned whether or not certain products should be removed from the GPT rate of duty. We shall observe that the dynamic of the policy process has differed substantially as between these phases, with accommodation politics predominating in the formulation period and governmental politics in the post-implementation phase.

The UNCTAD conferences of 1964 and 1968 were dominated by the question of trade preferences for developing countries. Under the intellectual as well as managerial leadership of Raul Prebisch², the UNCTAD secretariat supported its advocacy of non-reciprocal tariff preferences with the following arguments.

1. The current tariff structures of developed states discriminate against developing countries (LDC's) in two principal ways:

a) Industrial countries' tariff rates are highest on precisely those products (the more labour-intensive goods, such as textiles, clothing and footwear) of most export interest to LDC's. The Kennedy Round left its highest tariff peaks in these areas.

b) These tariff rates, moreover, increase with the degree of processing of products and commodities ("tariff escalation"). This has the effect of discouraging the industrialization of the Third World by tending to limit LDC exports to raw materials and less sophisticated manufactures.

2. Where LDC's have developed sufficient competitive advantage to jump tariff walls, various forms of special import restrictions (such as quotas and VER's) are applied by industrial countries.

3. The policy solution lies in non-reciprocal tariff preferences in favour of Third World manufactures. This proposal came to be known as the Generalized System of Preferences or GSP.

This argument, while based on considerable fact, faces formidable political problems in terms of implementation, to the extent that one might cast some doubt upon its feasibility as an instrument designed to promote economic development. If the preferences are to be meaningful as stimuli to Third World industrialization, they would need to be applied to product categories for which developing countries have or can have comparative advantages - such goods as labour intensive textiles and electronics items. What might induce developed countries to shift resources out of or significantly contract their home industries in these products? The non-reciprocal nature of the GSP certainly does not augur well for its success, in that it contradicts the long tradition of trade liberalization based on the principle of reciprocity.

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without which it is difficult to mobilize domestic support for liberalization. And it is difficult to see just what most LDC's can offer by way of reciprocity (although some of the higher income LDC's may well be capable of reciprocity).

Nations have been known to engage in unilateral tariff reductions; but the conventional rationales for such actions do not hold great promise for the proponents of GSP. In economic theory, unilateral tariff liberalizations bring benefits to consumers. But the consumer interest in lower trade barriers is notoriously difficult to mobilize, since most people do not base their political behaviour on their roles as consumers. Consumer indifference to preferences for developing or any set of countries is likely to be heightened by the fact that it makes no difference on price grounds to the consumer qua consumer whether cheaper imports came from LDC's or elsewhere, the fact that preferences are a second best solution for consumers, and in that the trade diversion effect of preferences may even adversely effect another consumer interest, that of product diversity. Thus mobilization of consumer support for trade preferences for LDC's seems even more difficult than in the case of multilateral liberalizations.

Another economic rationale for unilateral liberalization of duties is the use of cheap imports as inputs into domestic manufacturing. This motive may hold greater promise for the GSP (e.g. multinationals contracting out certain components to LDC's), but the scope for real benefits to LDC's in this case seems limited in that many such reductions have long since existed (e.g. drawbacks, low tariffs on raw materials) and are in any case regarded by LDC's as part of the problem ("tariff escalation"). Creating preferences of this kind moreover runs the risk of harming the liberalizing country's export interests by diverting import trade to developing countries from its major trade partners.

Preferential systems such as the GSP can harm the liberalizing country's export interests in other ways as well. In Canada's case for example, there are a few products for which other industrial countries' GPT's in fact discriminate against Canadian exports (Japan has an 8% MFN tariff on copper, while the GPT rate is zero). Such effects of preferential trade diversion are not likely to create enthusiasm for the GSP, particularly in countries like Canada which compete with LDC's for raw material markets in the major economies.

The fundamental economic rationale for trade liberalization of any kind rests on the desirability of long term shifts of resource allocations based on comparative advantages. The world as a whole would be better off by the location of much labour intensive production in the Third World. But whether or not any one country, such as Canada, would be better off is not quite so clear. The allocation of economic resources in Canada might well be more efficient by shifting these resources, but in social welfare terms it is arguable that Canada is better off with 200,000 jobs in textiles than with 100,000 jobs in a new, more efficient industry after reallocation. The benefits of such shifting of resources for Canada are clearest when other countries reduce their barriers to Canadian exports in a variety of sectors, such that employment and investment alternatives can be created. Until such opportunities are found to shift resources into (and realistically this can only come through reduction of trade barriers of other developed countries), it is highly unlikely that Canada would seriously contemplate shifting resources out of industries which have lost their competitive edge to developing countries. Consequently it is unlikely that a program like the GSP can be much more than symbolism unless it is linked to a

multilateral lowering of barriers in which a rough balance of opportunities and losses can be achieved for all countries.

The traditional economic rationales for tariff liberalizations thus do not augur well for the success of the GSP. One is left with moral-diplomatic arguments as inducements to allowing greater competition in the domestic market from LDC's. We would argue that the moral psychic satisfaction and diplomatic points associated with supporting a GSP program have proven strong enough to allow the scheme to come into existence, but have not been a sufficient inducement to permit coverage of the products of greatest interest to LDC's. Unlike foreign aid, with its procurement benefits to donor countries, a program like the GSP is "a hard option which is likely to bestow little or no immediate economic benefit to the donor economy, making it more difficult for political leaders to endorse". In fact foreign aid is probably used to a great extent as a substitute for other types of (more difficult) concessions to LDC's. In addition, mobilization of support on the basis of moral-diplomatic arguments for the GSP is not encouraged by the fact, predicted by many in advance and as we shall see proven to be the case of practice, that the major benefits of the Canadian GPT have accrued to a small group of higher income LDC's (such as Korea, Hong Kong and Taiwan). The moral imperative might well prove more compelling if trade relations with these higher income LDC's were conducted on the basis of reciprocity and the benefits of preferences were reserved for the more "genuine" cases of under-development.

If not doomed from the beginning, the GSP has thus faced formidable political obstacles to its usefulness as an instrument for promoting international development. In any case, the developing

countries as a group persisted through UNCTAD in their demands for the GSP during the 1960's. In spite of serious doubts among developed countries about the merits of the GSP proposal and an unwillingness to implement it as the UNCTAD plan envisaged (that is, with coverage of "sensitive" products), the OECD countries finally agreed to the principle of GSP in 1968. The way had been prepared by the addition of Part Four to the General Agreement in 1965. A key factor in the final decision was that the opposition of the United States, based on a particularly strong commitment to the non-discrimination principle, had been dropped in a speech by President Johnson at Punta del Este, Uruguay in May 1967⁴. In June 1971, the GATT Secretariat authorized industrial countries to grant tariff preferences to LDC's for a period of 10 years for products in Chapters 25-99 of the Brussels Tariff Nomenclature (on manufactures and semi-manufactures). There would of course be lists of exceptions, safeguards in the event of injury and, in some cases, quantitative limits to product eligibility.

The EEC introduced its program in July 1971, classifying imports as "sensitive" (the usual problem cases of textiles, footwear, etc.), "semi-sensitive" and "non-sensitive". Preferences are granted up to a quantitative ceiling calculated on the basis of sensitivity, after which MFN rates are applied. The Japanese scheme of August 1971 offered duty free entry for most products, 50% reductions for others, but with quantitative limits. Canada's GPT came into effect on July 1st, 1974, and offers either the British Preferential rate or 1/3 off the MFN rate, whichever is lower, and without quantitative limits. There are, however, provisions for safeguards such as Article 19 action, surtaxes and withdrawal of the unilateral concession. On January 1st, 1976, the United States became the last OECD member to adopt a GPT.

All of the national GSP schemes fell short of what the UNCTAD Secretariat had envisaged. They are in effect for only 10 years; products or beneficiary countries can be withdrawn at any time without Article 28 compensation; some schemes include the use of quotas; and most important, precisely those goods of greatest export interest to LDC's were expressly excluded from the various GPT lists. The developed countries had "come around" to acceptance of the GSP, but only by watering down UNCTAD's original proposal.

The remainder of this chapter will be divided into two major parts: a discussion of the formulation stage of the Canadian GPT (from the origins of the issue to implementation in 1974) and of the post-implementation phase (1974 to present).

1. The Formulation Stage (1963-1974)

In this section we shall analyse three major decisions or sets of decisions: acceptance of the GSP in principle (1963-68), the formulation of a GPT package for legislation (1968-72), and the delay and proclamation of the GPT (1973-74). We shall argue that the decisional dynamic of this entire period is best described by the "accommodation model" - while differences of view certainly existed between the major actors involved in these decisions, decisions were made in a spirit of problem-solving rather than conflictual bargaining.

a) The Decision to Accept the GSP in Principle

Like most Western countries, the Canadian government held a negative view of UNCTAD's proposals for tariff preferences for LDC's throughout most of the 1960's. The earliest statement of Canadian policy on the subject came in May 1963, when the

Minister of Trade and Commerce declared at a GATT ministerial meeting: "Canada is concerned about the prospect of establishing new discriminatory measures in the form of preferences and doubts that weaker countries are the ones most likely to gain from undermining the GATT principle of non-discrimination". Some of the Canadian concerns were no doubt disinterested: the economic case for preferences, as noted above, was by no means self-evident and there was some concern, particularly in the Department of External Affairs, about the possible adverse effects of GSP on Commonwealth Caribbean countries' position in the Canadian market. On the other hand, no Canadian government or department could ignore the possible threat to certain domestic industries, particularly if some of the stronger Western countries proved willing to go along with UNCTAD's broad coverage plan, and there was some fear of harm to Canadian export interests, particularly in Trade and Commerce, if LDCs' resource exports were given preferred access to the markets of the major economies over their Canadian competitors.

By 1969, however, Canada had stated its willingness (at UNCTAD II in New Delhi) to accept the principle of tariff preferences and to take part in OECD discussions on operationalization of the GSP concept. In November 1969 a draft OECD agreement was presented to the UNCTAD secretariat. This was accepted by UNCTAD in October 1970 and the developed countries were invited to proceed with the implementation of their national GPT schemes. Several factors accounted for the reversal of the Canadian position on GSP.

First, the intensity of Canadian opposition to non-reciprocal trade preferences for LDC's was not quite as great as that of many

other OECD countries, especially the United States. Given that Canada already participated in the British Preferential Tariff, and since the BPT was often non-reciprocal in its application to developing Commonwealth members, Canada was less inclined to be doctrinaire about the matter than the U.S.

Given that it was the United States that was in the early days most hostile to the GSP plan, a key factor in Canada's policy reversal of 1968-69 was the fact that the U.S. dropped its opposition to GSP at Punta del Este in January 1967, under strong pressure from its Latin American neighbours and as a result of bureaucratic bargaining within the American government at a time when the Vietnam War had created a desire to improve the U.S. image in the Third World⁶. Previously, the Canadian government had been reluctant to undermine the American position while it was seeking exemption from the linear tariff-cutting formula proposed by the U.S. at the Kennedy Round talks.

The developing countries and the UNCTAD Secretariat, moreover, were putting great political pressure on all developed countries on this and other trade matters. The GSP had become in LDC eyes a matter of great symbolic importance, probably outweighing its economic significance⁷. The conviction gradually grew in industrial countries that something had to be done to respond to these demands. The GSP came to be seen as a relatively harmless gesture of goodwill once OECD talks during 1968 ensured that national GSP programs would be accompanied by safeguards and for a duration limited to 10 years. A former Department of Finance official summed it up:

Prior to 1968 I must admit we didn't take UNCTAD very seriously. Most of its proposals were pretty wild. The GSP was one of the few UNCTAD proposals that was at least implementable, if not in our view entirely desirable.

The Canadian decision to accept the GSP in principle was thus essentially based on two factors: the U.S. policy reversal of 1967 and the 1968 OECD agreement on safeguards which effectively removed the possibility of application of GSP to the most sensitive products. These factors allowed Canada to respond, on our own terms, to LDC demands. The Canadian role was not innovative; it was essentially reactive to international events, coming to support the GSP principle only after a momentum had been created which it would have been most difficult to resist in terms of Canada's international image.

Policy-making during this stage moreover was in accordance with the accommodation model. External Affairs was throughout the 60's more sympathetic to GSP than either Trade and Commerce or Finance, particularly as External included at that time the External Aid Office which later became CIDA. But External's sympathy was not hardline: the Commonwealth orientation of Canadian relations with the Third World in those days tended to cause External some concern over the possible harmful effects of GSP on Commonwealth LDC's. Trade and Commerce did not include during this period the Department of Industry, and was less protectionist than it was to become. Finance was concerned about loss of protection and the MFN principle, but not in any dogmatic fashion, and once safeguards were ensured proved non-obstructionist. Other departments had little role in trade policy-making in the 1960's.

This relative lack of dogmatism or hardline positions among the three departmental actors encouraged a problem solving approach to the issue. The actors basically adopted a wait and see attitude. Once safeguards were agreed to by OECD members and the hardline opposition of the United States was removed, it was relatively easy for a consensus to develop within Ottawa on the desirability of acceptance in principle.

b) Formulation of Canada's GPT Package for Legislation

Between 1969 and 1972, most of the analysis was completed and the decisions taken which would define the precise nature of Canada's GPT. Decisions had to be made in four major areas: the basic formula for tariff reduction; product coverage and the exceptions list; rules of origin; and the list of beneficiary countries. As a change in statutory duties, the GPT scheme required assent of Parliament. The end result of these decisions was thus a piece of legislation, Bill C-172, an Act to Amend the Customs Tariff.

The decision-making process basically involved three actors, the departments of Finance, Industry, Trade and Commerce and External Affairs. The dominant member of this group was Finance and more particularly, what was then known as its Tariffs, Trade and Aid Division, under the leadership of ADM Rodney de C. Grey. ITC and External did have considerable input into these decisions, and more ad hoc consultations were undertaken as the need arose with Revenue Canada (Customs and Excise) and Agriculture. The influence of other departments, including CIDA and Consumer Affairs, was minimal at this stage.

Interest group representations and parliamentary input were likewise limited during this formulation phase, partly because Finance officials felt they had a good instinct for what would wash with domestic opinion, and partly due to budgetary secrecy. General comments were received from the Canadian Manufacturers Association, but individual industry lobbies were not very active on the GSP at this stage.

Three basic principles were shared by those involved in this series of decisions. The new GPT rate would not be applied where it was likely to cause "serious injury" to Canadian producers, although in some cases there was room for judgement as to what constituted "serious injury". Second, the Canadian program must be seen as at least as "credible", in terms of product and country coverage, as the other OECD schemes. Finally, the scheme should be as simple as possible to administer and to understand, from the perspectives of both Canadian businessmen and LDC exporters.

The first decision, taken in 1969 in response to UNCTAD's request that donor countries submit a general outline of their offers by 1970 and because the matter was being discussed in OECD meetings during 1969, concerned the basic formula for tariff reduction. In the OECD meetings, two major options were discussed; the one based on the principle of duty-free imports from LDC's but with quotas for sensitive products, the second a form of linear reduction with exceptions lists. Donor countries could not agree on a universal formula and it was finally decided that individual governments would adopt their own national formulas. Within the Canadian government, the Department of Finance came up with a linear formula: the Canadian system should be conceived as an

extension to all LDC's of the benefits already granted to Commonwealth developing countries. More specifically, Finance proposed granting the BPT rate or a "minimum reduction of 1/3 from the MFN rate... to take care of instances where the BPT rate was at or near the MFN level" and with an exceptions list.⁹ DEA's Commercial Policy Division tended for a time to favour an EEC-style duty-free entry plus quotas formula, on the grounds that the duty-free aspect would wash well with UNCTAD and also that it was desirable to maintain consistency with the evolving EEC approach. External was by no means adamant on this score however.

Finance's option on the formula was adopted by Cabinet, in large measure because of its acknowledged leadership role in tariff policy-making. The departments of ITC and Revenue also came down on the side of Finance, and the arguments presented by Finance were potent: since the Finance formula involved basically an extension of British rates to all LDC's, the option would be easier to administer and more acceptable to Canadian business. Customs officials, Canadian businessmen and many LDC exporters were already familiar with the BPT system. Quotas, moreover, tend to create administrative difficulties for both the customs bureaucracy and importers, uncertainties for Canadian manufacturers as to their future level, and may even lead to windfall profits for importers at the expense of the consumer. From the viewpoint of fairness to affected Canadian business as well as LDC exporters, the Finance formula was probably the most reasonable; the LDC's subsequent experience with EEC and Japanese quotas tends to bear this out.¹⁰

On November 14, 1969, C.M. Drury announced in the House of Commons that the Canadian formula would be BPT or 1/3 off MFN, with the caveat that there was no intention of applying the new rates to "products which we judge to be sensitive" and for "which we have negotiated or are asking for a quantitative restraint"¹¹. Opposition spokesmen C.W. Baldwin (P.C.) and D. Lewis (N.D.P.) called the announcement "timid" and "treating the LDC's like beggars", while R. Caouette (Social Credit) complained that the "first responsibility is to weaker parts of Canada"¹².

The process of determining the product coverage of the Canadian GPT involved a series of close consultations between Finance, the industrial sector divisions of ITC and External's Commercial Policy Division. Eventually, some 1500 tariff items were afforded GPT treatment. More precisely, this process involved deciding on a list of exceptions to the new preferences, and also whether the Canadian offer should go beyond the strict requirements of manufactured and semi-manufactured goods set out in the OECD-UNCTAD agreement. On most potentially sensitive items, there was little room for negotiation among the three actors. Such cases as leather footwear, many electronics goods and most textile and clothing categories, were relatively clear-cut: Canadian producers would suffer "serious injury" if included on the GPT list and many of them were subject already to import quotas or export restraint agreements. There is evidence, however, that in at least two cases External and/or ITC were able to persuade Finance to change its original proposals, and Finance proved willing to accommodate.

In the later troublesome case of rubber footwear, an unusual coincidence of view between External and ITC overcame Finance's initial desire to place the item on the exceptions list. While External's reasoning stressed the advantages in terms of international image of placing the benefit of the doubt on the side of granting preference, ITC felt that the rubber footwear industry in Canada was "already gone" and would die shortly with or without the GPT¹³.

Pressure from External Affairs, and its desire to push Canada's GPT one step further along than the EEC's, also contributed significantly to the addition of a number of agricultural products to the GPT offer list¹⁴. Some of these products included cocoa derivatives, spices, rum, brandy and fruit juice. Canada was under no obligation to make offers going beyond manufactured and semi-manufactured categories. The Department of Finance originally wished not to go beyond manufactures, but DEA's strong arguments on this point finally persuaded Finance, particularly as it would make exceptions for some manufactured goods more palatable to UNCTAD.

It should be pointed out that officials in ITC and External involved in the GPT formulation period believe that Finance officials were quite open to suggestions for change. In particular, External's international image arguments were treated receptively by Finance, in situations where the potential for serious injury was not clear cut.

The third area of decision concerned rules of origin. The Department of Finance, backed by External Affairs, originally

suggested that Canada allow cumulative rules of origin (i.e. the developing country content of a qualifying product could be shared among LDC's), provided that other OECD members were equally forthcoming. ITC's Industry Line branches were less enthusiastic about cumulation. The issue subsided when other OECD members refused the Canadian initiative and all departments in Ottawa agreed that going it alone on this score would constitute an unjustifiable burden on Canada. The final decision adopted was that goods must contain at least 60% of recipient country (or Canadian) product. This followed the practice employed for British preferential rates.

Deciding the list of beneficiary countries was relatively smooth. Basically, Canada followed the international practice of granting GPT treatment to any country which claimed to be a developing country and named an "authorizing body" (usually a Board of Trade or Customs Department) to enforce the 60% rule of origin. A small group of countries which define themselves as, or can be considered developing countries, did not receive GPT benefits; these included Saudi Arabia, Jordan, Albania, Portugal, Spain and the former Portuguese colonies. The first three of these had no MFN agreement with Canada and were thus ineligible (they conduct in any case virtually no trade with Canada). The problem of Spain and Portugal was different. External Affairs initially suggested that Spain be included, but dropped the idea after Finance pointed out that this would necessitate further product exclusions (at least one of which would have been steel). Portugal was excluded on the grounds of its then dictatorial and colonialist regime. There was some

concern in External and Finance about the GPT's potential for weakening links with the Commonwealth and particularly the Caribbean (because it would ~~treat~~ all LDC's the same way).

After consultation with Commonwealth LDC's, however, the concern eventually evaporated, largely because Commonwealth LDC's wanted the GSP to gain access to the U.S. market, and were willing to pay the price of erosion of some of their privileges in the Canadian and British markets.

The formulation phase again corresponded quite closely to the accommodation or problem solving model of decision-making. None of the actors involved adopted hardline positions. Finance proved willing to listen sympathetically to the arguments of External and ITC, in large part because Finance is by its nature a synthesizing department which must take some account of all sides of an issue (this being related to the fact that it is not tied to particularist interests in society). The parameters of the decision process encouraged moderation on the part of External and ITC: the aim of the exercise was after all to come up with a plan which was roughly as favourable to UNCTAD as other donors' schemes, but at the same time no more dangerous in terms of domestic interests. These parameters helped satisfy External's preoccupation with Canada's international image as well as ITC's concerns about the most sensitive industries (via safeguards). Finance was accommodating enough to allow inclusion of some agricultural items to satisfy External in exchange for further manufactured product exclusions to please ITC, particularly the industry line branches of ITC. Other departments, such as CIDA and Consumer Affairs, which might have

injected additional considerations into the discussions (such as a development angle stronger than External's and a consumer angle stronger than Finance's weighing of these considerations), had little involvement at this stage of the GPT's history. Interest group lobbying was also relatively weak at this stage, and this encouraged flexibility among the departmental decision-making actors as well as Cabinet ministers.

c) Interlude: The Delay and Proclamation of the GPT

Bill C-172 was introduced in Parliament in the May 1972 budget by Finance Minister John Turner. It contained the following important features:

- i) Governor-in-Council would decide on the list of beneficiary countries,
- ii) 45 agricultural products would benefit from a GPT rate, including spices, tobacco, rum, cocoa derivatives, fruit juices and vegetable oils,
- iii) 49 products from the manufactured and semi-manufactured category were explicitly excluded from GPT benefits, including certain chemicals, medicinal, pharmaceutical, narcotic, sugar, petroleum, wool and man-made fibre products,
- iv) the bill spells out the BPT or 1/3 off MFN formula and leaves precise rules of origin up to Governor-in-Council,
- v) the bill reminds that "Governor-in-Council may, by order, from time to time, withdraw the benefit of the GPT in whole or in part from any country to which it has been extended"

(Section 3.2(2)),

vi) the bill states that the scheme would come into effect upon order-in-council, without setting a date.

The timing of the introduction of Bill C-172 was interesting. Although the legislation had been completed by the Department of Finance in the fall of 1971, it was judged inopportune to introduce it at that time because of "economic uncertainties resulting from the drastic trade and foreign exchange measures adopted by the United States" in August 1971¹⁵. The precise timing of the bill's introduction appears to have been determined by a desire to obtain a few political points at the close of UNCTAD III in Santiago (13 April - 16 May 1972), a conference at which all developed countries were under heavy fire from the Group of 77, and during which the Canadian government had been under criticism, both at home and abroad, for its concentration on aid proposals at a conference ostensibly designed to produce initiatives in the trade field¹⁶.

It took another year, however, for the bill to pass. This was partly the result of the summer recess of Parliament and the ensuing election campaign of 1972. A further consideration was that the government did not feel that it would be able to proclaim the legislation immediately, even if passed. Finance feared that if the Canadian scheme was put into effect very far in advance of the American scheme, it would result in major diversions of goods to Canadian ports originally destined for the United States. In any case, on April 18, 1973, the bill was passed and given royal assent. It received support from all sides of the House.

It was not until April 1974 that Mr. Turner announced that the GPT would become effective on July 1st, 1974. The announcement coincided with the United Nations Special Session on Raw Materials and Development in New York (April 1974) and was motivated by a desire to back up the Canadian speech with some positive action. By that time it had appeared that, since the American Trade Act was nearing completion, the United States was close to implementing its GSP scheme. As it turned out however, it was not until January 1976 that the American GPT came into effect. Had this American delay been anticipated by the Canadian government, it is almost certain that proclamation of the Canadian scheme would have been delayed another year¹⁷.

2. The Post-Implementation Phase (1974 - Present)

Since July 1, 1974, a number of decisions have been made concerning the Canadian General Preferential Tariff. After a series of interest group representations, two products, rubber footwear (August 1975) and certain colour TV sets (February 1977) were withdrawn from the GPT, and a few others have come close to withdrawal or are in the process of review. Two product categories, namely certain tropical products (April 1977) and a list of handicrafts (June 1977) have been added to the scheme. Several countries, most notably the former Portuguese colonies in Africa, have been added as beneficiaries. And an interdepartmental review of the provisions of Canada's GPT has been accomplished.

As was the case in the pre-July 1974 period, these decisions involved a balancing of domestic economic and political goals against international political-diplomatic goals, and this balancing

was based on the interactions of departments representing in various degrees these conflicting goals. But the manner in which most decisions have been made since 1974 resembles much more closely the governmental politics model of decision-making, whereby conflictual bargaining among departments and ministers results in compromises, ambiguous outcomes or victory for one side or the other. A number of factors account for this change:

1. Almost as soon as the GPT was proclaimed in April 1974 (to become effective on July 1st), interest group lobbying proliferated considerably. A large number of appeals were made by domestic interests to the Minister of Finance for withdrawal of their products from the scheme. This was to some degree unexpected by Finance officials who had thought that the previous policy of "withdrawal by anticipation" had taken care of most business and labour concerns. At least 25 to 30 representations from Canadian manufacturers were taken seriously, some of which concerned sheet glass, work gloves, radios, TV's, leather clothing, rubber footwear, scissors and steel¹⁸. As former Finance Minister John Turner said in response to criticisms in the parliamentary sub-committee on International Development, "no sooner was it (i.e. the GPT) brought in than there were representations on behalf of several Members of Parliament from all sides of the House, several constituencies, several industries, asking to have parts of that tariff dispensed by order-in-council to protect domestic industry".¹⁹ In July 1974, the Canadian Manufacturers Association expressed its concern in a letter to

Mr. Turner about a list of products and beneficiary countries which its membership had brought to its attention²⁰. The virulence of some of these representations is indicated by a Winnipeg Free Press report:

The new schedules were immediately denounced by some Canadian manufacturing industries directly affected and by others that were unaffected but feared that they might be later on... In a brief to the government the Electronic Industries Association declared that the Canadian market had been opened up to a flood of cheap radios, television sets and their parts. Some 70,000 jobs 'are dangerously threatened', the brief said, 'and it is absolutely necessary that they don't become victims of this unnecessary and unreasonable largesse on the part of Canada at this time'.²¹

As for the other side of the trade equation, there has been constant criticism from the Canadian Importers Association of the limited coverage of the GPT, as well as the administration of rules of origin by Revenue Canada. International Development groups have of course knocked the scheme. Representations and comments from consumer groups has been infrequent, although this particular interest has been articulated from within government by the Department of Consumer and Corporate Affairs.

2. Faced with these representations, the Minister of Finance decided to set up an unofficial Interdepartmental Committee on the GSP to examine requests from business for withdrawal and to conduct periodic reviews of the provisions of the Canadian GPT. Part of its purpose was to reduce haggling in Cabinet by giving the Minister a clearer idea of where other departments stood on questions which would arise (this aim was only partially realized in practice). The creation of the committee was also related to complaints by junior departments in the early 1970's that they

were not adequately consulted on foreign economic policy-making²², and the more general desire of PCO and PMO to involve all relevant departments in the policy process.

The tilt towards a more "governmental politics" decision process was encouraged by the entry of several special interest departments into the GSP Committee. The departments of Consumer and Corporate Affairs, CIDA, Revenue Canada, Labour and PCO joined the old triumvirate departments in the GSP policy process. Considerations other than, or different in degree from, those of the traditional departments were brought to bear on deliberations and decisional outcomes came to be based on bargaining between departments having quite sharply divergent viewpoints. During the formulation phase of the GSP, decisions were made by three departments with relatively limited objectives, where Finance could play a kind of brokerage role between a moderately pro-GSP External and a moderately suspicious ITC. After the formation of the GSP Inter-departmental Committee, two pro-GSP actors (i.e. CIDA and CCA) were brought in who were much more ideologically committed, each for its own reasons, to the GSP concept than External had been. On the other side, the proliferation of business agitation concerning the GPT caused ITC and particularly its line branches to become more explicitly protectionist than in the formulation phase. Even Finance found it more difficult to play its traditional synthesizing role of taking account of all considerations because of interest group pressures, though by no means in as extreme a way as ITC. The possibilities for decision-making based on bargaining between sharply divergent viewpoints increased greatly.

3. Governmental politics was also encouraged by broader international forces. The notion of a "new international economic order" became increasingly popular in the United Nations and other international fora, particularly after the petroleum boycott of 1973 had demonstrated the potential economic muscle of Third World countries. These international diplomatic events had a strong influence on External Affairs' approach to GSP matters. DEA began to emphasize to a much greater extent than in the past developmental concerns in its approach to the GSP, and this was boosted by the transfer of primary DEA input into GPT issues from its Commercial Policy Division to its Aid and Development Division. Like ITC, which because of business pressure had become more explicitly protectionist on GSP questions, External became in large measure a special interest department on these matters, though in the opposite direction. This left Finance as the only relatively synthesizing department, and encouraged a decisional dynamic based on bargaining.

We should at this time examine in greater detail the workings of the Interdepartmental Committee on the GSP.

The GSP Committee first met in the fall of 1974 and meetings were quite frequent in the following eighteen months, due to the large number of representations for withdrawal. Since that time the number of meetings has slowly declined and the Committee has seldom met since late 1976. The major GPT decisions during 1977, the withdrawal of the GPT rate on colour TV's, the second extension of the withdrawal of rubber footwear, and the additions of tropical products and handicraft items, were considered in other fora.

At its inception the Committee was given several powers of recommendation. If no injury or threat of injury to Canadian firms was found, then the Committee could recommend to the Minister of Finance that either the firms' appeal for restoration of MFN rates be rejected or it be invited to seek anti-dumping or other relief. If injury due to the GPT was found to be occurring, the Committee could recommend safeguard action in the form of surtax action, withdrawal of the GPT concession or adjustment assistance in conjunction with temporary safeguards.

The GSP Committee has faced some of the same difficulties we observed with the Low Cost Imports Committee. Like special import policy making, it is difficult to establish the existence of injury or threat of injury due to the GPT and especially to isolate the effect of the GPT from other factors such as changing economic conditions and shifts in consumer demand. Although in the GPT field there exists no independent investigatory body equivalent to the Textile and Clothing Board, similar interdepartmental differences exist as to the level of confidence held in the major reviewing actor, in this case the Tariffs Division of the Department of Finance. Either the Anti-Dumping Tribunal or the Tariff Board could under existing law be used as investigating agents, but neither has as yet received any GPT-related references from the Minister of Finance, largely, it would seem, as a result of their already heavy workload. The conclusions of reviews conducted in Tariffs Division are invariably treated with scepticism by at least some members of the GSP Committee, and the Committee has consequently tended to become a conflictual advocacy process

rather than a reasoned dialogue between departments with legitimately differing concerns but shared criteria for action.

The Department of Finance, via its Tariffs Division, chairs the committee and generally plays a leadership role on GPT matters, as a result of its powers derived from the Customs Tariff. Finance tends not to regard the GSP Committee as a decision-making mechanism per se, but rather as one source of information available to the Minister of Finance and his officials (on departmental views). Finance is unquestionably correct in a legal sense on this count, but in practice the other departments tend not to see themselves as mere consultants and wish an equal role in the forwarding of recommendations to Cabinet. These differences of view as to the function of the Committee itself are one root of the conflictual relationships exhibited.

The behaviour of Finance on GPT questions and in the Committee is mixed in tone. On the one hand, it is to the Minister of Finance that complaining Canadian businessmen and MP's appeal and there is a natural tendency to be sympathetic to their representations, if for no other reason than "to get them off our backs"²³. But on the other hand, the ideology of trade liberalization, a reluctance to raise tariffs in general, and sensitivity to the undesirability in diplomatic terms of undermining further an effort to respond to LDC demands are all strong in Finance. In the majority of the 30-odd cases considered, Finance rejected appeals for withdrawal from Canadian businessmen without recourse to the GSP Committee, and in a few cases in spite of a desire at ITC to see them withdrawn²⁴. The overall evidence made available to this researcher suggests that Finance is very reluctant to withdraw items from the GPT, and in those

cases where it has recommended withdrawal there has been at least a plausible case for injury or the department has been subject to particularly strong political pressures. Finance officials are sometimes referred to as protectionist by officials of other departments, but this is probably in large measure because they recall only the cases which went to Committee, ignoring the majority of appeals rejected internally at Finance. On the other hand, when it comes to extension of the GSP or liberalization of the provisions of the tariff, Finance might justifiably be called rather cautious, though not negative.

The Department of Industry, Trade and Commerce has proved to be the department most sympathetic to the appeals of Canadian business, in large part because of the strong contacts between the Industry Branch of ITC and the domestic business community. ITC's International Trade Relations Branch is, as might be expected, less likely to side with the business lobby, but has been less involved in the affairs of the GSP Committee than the line branches. ITC's major preoccupation on GPT issues has been the protection of Canadian jobs and the possible effect of the tariff on investment in Canada. The department has argued in a few cases that the existence of a GPT rate has encouraged multinational companies to locate facilities in Third World countries which might otherwise have gone to or stayed in Canada. The recent decision of Ford Motors to move a radio plant from Windsor to South America and the removal of some Bata Shoes plant from Canada are cited as examples.

The Department of External Affairs, as compared with special import policy and the pre-1974 GPT formulation phase, has taken a more "developmental" approach to the GPT in the Committee. This is due to the facts that the new tariff was expressly intended as an effort to help LDC's, that External is sensitive to the fact that the LDC's have regarded the GSP as an important political victory (their first in the trade field) and that the Aid and Development Division has been primarily responsible within External for GPT matters. Another factor is that most of the GSP Committee meetings took place during the tenure as SSEA of Allan MacLachlan, a man well known for his sympathy toward developing countries. Because of these factors and the more general international image consideration, External has proved a strong opponent of any erosion of the GPT and has also pushed for extension of the GPT to other areas, such as tropical products.

The fact that External has been firmly on the "anti-protectionist" side in this committee has probably allowed CIDA and Consumer Affairs to enjoy more influence than was the case with special import policy. Certainly, CCA and CIDA have been regarded by the others as at times impractical in their argumentation. For example, since they tend not to accept Finance's orthodox definition of the relationship between injury and safeguards, CIDA and CCA have opposed withdrawals even where injury is quite clear-cut, preferring adjustment assistance to effect contraction of the injured industries. (For Finance the place for contraction is at the multilateral bargaining table, not unilaterally.) The aim of the exercise for CCA and CIDA is after all, though for differing reasons, to increase the import share

of the Canadian market for such industries, and this is regarded as often politically naive by Finance and ITC. The approaches of CIDA and CCA have been quite straightforward in this committee: fight any erosion of the already achieved gains of the GPT for their constituencies and push for liberalization of the provisions of the Tariff (e.g. rules of origin and product extension). In alliance with DEA, they have enjoyed a measure of success in preventing erosion of already achieved gains, but much less when it came to liberalizing the overall provisions of the GPT.

The three remaining participants in the Committee have played more minor roles. The Department of Labour has shown only marginal interest in the question, but its labour sympathies tend in a protectionist direction. Revenue Canada intervenes most often on technical and administrative matters, particularly on rules of origin. PCO plays its usual role as a link with Cabinet, but with a tendency to sympathize with the DEA-CCA-CIDA group.

We shall now examine in somewhat more detail five of the most important GPT decisions since July 1974: the cases of rubber footwear, workmen's gloves, scissors, colour TV and tropical products. The results of these cases have been varied (one full withdrawal, one conditional withdrawal, two prevented withdrawals and one addition).

a) Rubber Footwear

Certainly the Canadian rubber footwear industry has been declining in recent years: the number of operating firms had fallen from ten in 1970 to five at the time of GPT implementation

in 1974 and is at present three, while total employment dropped from about 3000 in the 1960's to 2200 in 1974 and to about 1300 at present. The remaining firms are located in small and medium-sized towns in Ontario (Kitchener) and Quebec (Actonville and Granby). The primary sources of import pressure have been South Korea, Taiwan (in the early 1970's) and Czechoslovakia. The GPT had reduced the tariff from 20% MFN to zero GPT, the same as BPT. The rubber footwear question revolved around the issues of to what extent the new GPT rates were responsible for the industry's woes (i.e. determination of injury), whether the industry is a viable one to begin with, and the criteria which might justify restoration of the MFN rate. The departments in the GSP Committee split into camps on each of these issues.

Departmental views on criteria for withdrawal have been influenced by each department's ultimate aims with regard to this industry or with regard to the GSP, and these views in turn influenced each department's assessments of the "facts" of injury and viability. Generally speaking, Finance follows the orthodox GATT norm of avoiding protection, but will recommend protection if injury or threat of injury can be determined, and Finance is normally quite strict in its criteria for determining injury. This strictness can of course be compromised by political pressures. ITC, and particularly the line branches, accepts this reasoning but is probably looser in its criteria for determining injury. For CIDA and CCA there are no criteria which would justify withdrawal

(at least permanent withdrawal) since they basically reject this injury-safeguards reasoning and propose instead contraction of such industries if injury is shown. While on most trade issues this is not the case, External has on GPT issues since 1974 come close to the CCA-CIDA view.

This want of shared criteria between departments for withdrawal of GPT rates of course makes it difficult to arrive at a consensus as to the "facts" of whether the GPT is causing injury or whether the industry is viable in the long term. Since any industry's difficulties are almost always due to a combination of factors of which the tariff is only one, each department's conclusion as to what theoretically are "factual" questions is coloured by their ideological sympathies. In the rubber footwear case the evidence of injury was mixed and participants in the committee emphasized the one side or the other of the evidence.

ITC pointed out, as evidence of GPT related injury, that Bata Shoes closed its rubber footwear operations in Canada after July 1974 and moved them to GSP beneficiary countries. CIDA, CCA and DEA claimed that the GPT was only in a minor way responsible for the industry's problems, pointing out that the decline in the Canadian industry started long before GPT implementation, and in any case argued that the solution lay in unilateral contraction of the industry via adjustment assistance. Everyone recognized that fashion considerations came to favour leather footwear and that improved snow removal had caused a decline in the consumption of rubber overshoes.

The departments also differed in their views on the basic soundness of the Canadian industry. The CCA-DEA-CIDA group were pessimistic about viability. Finance and ITC had undergone something of a change of view on this question during the 1970's in response to changing political pressures and economic circumstances. Rubber footwear was placed on the GPT list in the first place largely due to a lack of confidence in ITC in the viability of the domestic industry. The feeling was that it was a "terminal case" on economic grounds and that the GPT would only moderately speed up its demise. Happier economic circumstances around 1974 also encouraged the belief that adjustment and reabsorption of this quite small labour force would be relatively painless. But Finance and ITC were led to re-evaluate their position in the light of the subsequent recession and new political circumstances. Immediately after the implementation of the GPT, the Canadian industry began lobbying their MP's and the departments of Finance and ITC to have the MFN rate restored, arguing that the new tariff would spell doom and that it was unfair that leather footwear was excluded from the GPT from the outset but not rubber footwear. By the fall of 1974 the Textile and Consumer Products Branch of ITC had re-evaluated the rubber footwear industry in the light of this lobbying and come to the conclusion that one last attempt should be made to rationalize the industry. ITC's Footwear and Tanning Industries Sector Strategy was extended

to include rubber footwear in January 1975. The withdrawal of GPT was conceived in ITC as a "plum" to give to the industry in return for a certain amount of government "direction" via the strategy²⁵. Finance came to share this view, at least in part, because of the lobbying of the Rubber Association of Canada.

The Finance-ITC proposal to withdraw GPT benefits on rubber footwear was placed before the interdepartmental committee, where it faced stiff opposition from the departments of External, CIDA and CCA. It was CCA which proved especially determined on the issue because of the visibility of cheap footwear to low income consumers. CCA officials managed to get the strong backing of their minister, André Ouellet, and former CCA minister Bryce Mackasey, and the conflict was escalated to Cabinet Committee. This combined CCA-DEA-CIDA opposition to withdrawal proved unable to get the idea shelved, but did manage to both delay the withdrawal for the first half of 1975 and, when withdrawal came in August 1975, to extract certain conditions for withdrawal. The announcement by Alistair Gillespie on 28 August 1975 of a "temporary" withdrawal of rubber footwear from GSP contained an unusually strong statement on rationalization: the Canadian industry was expected to develop restructurization plans by July 1976 and the "GPT would be restored by that date if it appears that there is little likelihood that a viable rubber footwear industry can be sustained in Canada"²⁶.

This compromise (i.e. the "temporary" withdrawal and strong statement of rationalization conditions) was interpreted at the time by the CCA-DEA-CIDA group as something of a victory. It would prove a paper victory, however, unless the matter were pursued and the rationalization conditions enforced. Disagreement persists as to whether the industry has made significant progress in rationalization since August 1975. The departments of External, CIDA and CCA remain sceptical; Finance and ITC are guardedly optimistic. The "temporary" withdrawal of rubber footwear has now been extended twice, once in June 1976 for one year and for a second time in June 1977, for a period of 2½ years, bringing the present termination date of the "temporary" withdrawal to December 1979.

Several reasons appear to account for these extensions, particularly the second one of long duration. First, if rationalization is to take place, it does take time, although officials in the anti-withdrawal departments would argue that the now rather long grace period offered the industry is motivated more by protection than by rationalization. Second, the political pressure from the industry has kept up, and just prior to both decisions on extension at least one of the companies, Miner Co. of Granby P.Q., has threatened to close its plant unless the extension was approved²⁷. Third, although the numbers of employees involved are not large, the rising unemployment levels of the last two years, particularly in the very regions in which this industry is located, has encouraged politicians to give the benefit of the doubt to the domestic

industry and has probably encouraged a more tolerant interpretation of the companies' rationalization performance. The Parti Québécois victory in Quebec probably also encouraged this kind of thinking. There has also been an "equity" reason for these extensions, particularly that of June 1977: the textile and clothing industries had been given massive doses of protection prior to that decision and it seemed a matter of "fairness" to do something for the rubber footwear industry.

These factors help explain why the anti-withdrawal departments were unsuccessful in the second and third decisions on rubber footwear. A final organizational reason might be added. The departments of External Affairs, CIDA and Consumer and Corporate Affairs whose determination in August 1975 extracted concessions in the rubber footwear case appear to some extent to have "lost" the issue. Due to staff changes and shifts in priorities, relatively little attention has been continued on the issue. Perhaps more importantly, subsequent ministers of Consumer Affairs and External Affairs have not shown the interest in the matter displayed by Ouellet and MacEachen in August 1975 which allowed the original compromise. Neither the SSEA nor the Minister of CCA attended the Cabinet Committee meeting which decided the second extension of the withdrawal in June 1977.

b) Work Gloves

The case of work gloves was unusual in that it was preceded by a Textile and Clothing Board inquiry. Work gloves were one of the few textile products put on the GPT list in 1974.

Between May and July 1975 the Board held hearings and received briefs on the question from the Canadian Glove Manufacturers Association, the Tanners Association of Canada, Dominion Textile Limited (which makes cotton fabrics used for work gloves), the unions involved and MP's and municipal authorities representing the relevant towns. These groups argued that the GFT rate (which had reduced the tariff for LDC's from 25% to 16%) should be withdrawn, while several importers argued against withdrawal, on grounds that the Canadian industry was non-viable and that future protection would only hurt the consumer.

Employment in the Canadian glove industry, concentrated in Quebec and Ontario, stood at 2350 in 1974 and was down to 1900 in 1975²⁸. The share of imports in the Canadian market rose from 42% in 1973 to 50% in 1974 and to 52% in 1975. The major sources of imports are Hong Kong (66% of imports), China (8%) and Taiwan (3%)²⁹.

The Textile and Clothing Board's report of 8 August 1975 concluded that imports were causing or threatening serious injury to Canadian producers and that it was satisfied with the industry's plans for rationalization. The report recommended both the introduction of quantitative restrictions and the withdrawal of the GFT on work gloves composed wholly or in part of textile fabric or leather.

The decision process here again seems to correspond roughly to that described by the governmental politics model. The opponents of withdrawal in CCA, CIDA and External were able

to get the TCB recommendation on GPT withdrawal shelved before it went to Cabinet. A joint meeting of the GSP Committee and the Interdepartmental Committee on Low Cost Imports was held because of the two major recommendations of the TCB report. Consumer and Corporate Affairs proved quite determined in this instance and External saw the potential withdrawal as unnecessarily upsetting relations with Hong Kong. But it was also decided that work gloves be placed on the Import Control List for quantitative restraint, thus giving some satisfaction to the defenders of the domestic industry in these Committees, particularly Industry, Trade and Commerce.

c) Quality Scissors

This particular case differs from most of the post-1974 GPT cases in that the decision process seems less a matter of governmental politics than a special case of rational actor politics.

At the time of the adoption of the GPT, there were no scissors manufacturers in Canada. The new tariff was set at zero, and the major sources of imports were Brazil and some Eastern European countries. In late 1974, a Mr. Robert Christopher set up International Scissors Ltd. in Perth Ontario, with the aid of an Ontario government business incentive loan, employing some 40 workers³⁰. Mr. Christopher, who turned out to be an astute lobbyist, began appealing directly to his MP and several ministers including the Ministers of Finance, ITC and CCA, calling for withdrawal of the GPT rate on infant industry grounds.

It seemed clear to officials in the various departments that the case for withdrawal was rather weak, because the entrepreneur knew what he was getting into and because the number of employees concerned was small. However, in spite of the opposition of officials in the departments of CCA, CIDA and External Affairs and the less than wholehearted support for withdrawal in Finance, this lobbying pushed the proposal for withdrawal through the GSP Committee and Cabinet Committee in early 1976. The key factors seem to have been Mr. Christopher's direct appeals to Ministers and his MP and some influence of the Ontario government which had loaned money to the new company.

But the affair did not end there. Privy Council Office officials became convinced that withdrawal would be a mistake on international image grounds and took the matter to the Prime Minister, who then rejected withdrawal, partly on the basis of the merits of the case, and partly because of an upcoming visit by the SSEA to Brazil. The fear that GPT withdrawal on scissors would be a thorn in Canada-Brazil trade talks, the more general image factor, and Mr. Trudeau's pro-development views appear to have been the main reasons for the over-ruling of the Cabinet Committee decision.

Ministers in this case did not behave on the basis of their departmental roles but on the basis of political roles. The case thus bears a resemblance to the rational actor model of decision-making, but it would appear to be a rather special case of rational-actor processes. Ministers other than those subjected to direct representations from the lobbyist seem

to have been quite indifferent on the question, thus allowing close to an individual approach to decision-making (by the Minister of Finance, the Cabinet's senior Ontario minister) and later by the Prime Minister, who overturned the Committee decision largely on the basis of his individual attitudes. For this reason, the episode seems a special case in terms of our models.

The remaining major GPT decisions since late 1976 were made in fora other than the GSP Committee, largely because in one case (colour TV) the decision on the GPT was coincidental to a rationalization program while in the other (tropical products and handicrafts) the question arose out of the MIN in Geneva. These shifts in the locus of action did not however prevent some elements of governmental politics.

d) Colour TV

The GPT was temporarily withdrawn on colour TV sets over 16 inches in February 1977 until December 1979. This withdrawal was conceived as part of an ITC rationalization program for the Canadian television industry, the aim of which was to reduce the number of producing firms and to allow remaining firms to survive through the phase-out of most of their television production while moving into other home entertainment products. It was argued that removal of the GPT, as well as the British preference, would afford the industry a little more breathing space in which to conduct its rationalization. But GPT beneficiary countries are not at present manufacturing these colour sets, the major sources of imports being Japan

and the U.S. Largely because of this, the departments of External Affairs and Finance, as well as ITC's Office of General Relations, opposed the ~~ITC~~ sector branch's proposal to withdraw GPT. CIDA and Consumer Affairs were not consulted and the GSP committee did not meet on the matter. The industry side of ITC was however able to sell its proposal for withdrawal of GPT and BPT to Cabinet by pointing out that there was a possibility of construction of a colour TV plant in South Korea and because they believed that withdrawal of the two rates would demonstrate the government's good faith to the industry which had argued against inclusion in the GSP program prior to 1974. Finance and External were eventually persuaded by the fact that the rationalization scheme would phase out colour TV production (and was therefore not protectionist in intent) and the temporary nature of the withdrawal. Since the time of Cabinet's decision in late 1976, South Korea has decided not to build the plant, due to American protectionism. To date no decision has been made as to reinstatement of the GPT and BPT.

(e) Tropical and Handicraft Products

In 1977 two additions were made to the GPT list. In the budget of March 1977 a list of tropical and handicraft products was added, as a result of negotiations in the Tropical Products Group at the current GATT round in Geneva. Because of this connection with the multilateral trade negotiations, the GSP

Committee was little involved in the decision. The key actors were Finance, ITC and External, which consulted CIDA and the Department of Indian and Northern Affairs, which had been concerned about the possible adverse effect of preferences to Third World handicrafts on Canadian native craftsmen. Although the Department of Finance was not opposed in any real way to the development of a Canadian offer on tropical and handicraft products, it is believed that pressure from External Affairs did manage to widen the offer for some products, while representations from some provincial governments worked in the opposite direction. Although our research was rather superficial on this case, our tentative conclusion would be that the decision-making dynamic, because it was basically an MIN decision rather than a GSP Committee decision, resembled more an accommodation process than a governmental politics process.

During 1977 the GSP Committee, at Cabinet's request, undertook a review of Canada's GPT and its provisions. A Finance paper was prepared and distributed around Ottawa for comments by other departments. Although no final decisions had been taken at time of writing, it appears that whatever changes come out of this review will be minor, such as the addition of a few countries previously excluded for largely technical reasons. In spite of the desires of External, CCA and CIDA, it appears unlikely that any move towards more cumulative rules of origin or product extension will be adopted. The employment situation, the business environment and Finance's general reluctance to undertake unilateral

tariff liberalizations in a time of multilateral negotiations seem to mitigate against further liberalization at the present time. This situation is reinforced by the lack of liberalizing moves among any of the GSP donor countries.

The review did produce some research on the effect of the GPT in its first year of implementation. Most of this data is confidential but a few relevant statistics have been made public. In 1975 total Canadian imports from GPT beneficiary countries amounted to \$4.0 billion, of which about 80% or \$3.2 billion worth entered Canada duty free by reason of MFN rates (and for which the GPT changed nothing). Of the remaining \$700 million, about \$400 million were dutiable imports of textiles, clothing, footwear and the like which were excluded from the GSP at the outset. The remaining \$370 million breaks down into \$141 million imported duty free at GPT rates of zero, \$124 million imported at reduced rates under the GPT and \$106 million having GPT rates but not qualifying for the rate due to rules of origin and other administrative reasons. Subtracting this \$106 million, we are left with \$265 million worth of imports which were in some degree influenced by the existence of the ~~GPT~~.

But the actual value of the Canadian GPT to developing countries in 1975 was undoubtedly less than this \$265 million, since much of that amount would have entered Canada in any event, though at higher rates of duty. It is very difficult to measure precisely just how much of this \$265 million entered as a result of the introduction of the GPT.

The Department of Finance has not released its estimates, if it has calculated them. The North-South Institute has made an estimate of about \$35 million³¹, although this figure may well be on the low side given the ideological orientation of this development interest group. In any case, the actual benefits of the Canadian GPT hardly seem to justify the high hopes placed in the GSP scheme by the developing countries and UNCTAD in the 1960's.

The usefulness of the GPT as an instrument for the promotion of international development is also put into doubt by statistics from 1975 concerning the LDC's which gained most from the Canadian program of preferences. Predictably, the biggest winners were the high income LDC's, in order, Hong Kong, South Korea, Malaysia, Singapore, Mexico and Brazil. Based on these figures, many decision-makers in Ottawa have justifiably suggested that trade relations between Canada and these high income LDC's be conducted on the basis of reciprocity, reserving GPT benefits for the more genuine cases of underdevelopment.

3. Conclusion

Broadly speaking, decisions on the Canadian General Preferential Tariff have been characterized by two dynamics, the accommodation model in the pre-1974 period and governmental politics after implementation. The predominance of governmental politics in the post-1974 phase applies especially to those decisions made within the Interdepartmental Committee on the GSP. Two major factors would seem to account for the operation of two different processes at different stages of the GPT's history.

First, the nature of the decisions to be made would seem important. Prior to 1974 the issue was to come up with a package of tariff changes within parameters set internationally. The fact that many tariff items were on the table allowed trade-offs to occur between the actors involved such that each could claim some "victories". The post-1974 decisions were in contrast conducted on a case-by-case basis, which encouraged harder positions among the actors, since the possibilities for conscious compromise were more limited. Compromises took place, but these were the unintended result of confrontation between actors with firm positions (withdraw or not withdraw).

Second, participation patterns and actor goals varied as between the two periods. Before 1974, there were three essential actors involved in the decision process and all three took relatively moderate positions. This moderation was encouraged by the nature of the decisions to be taken as outlined above, relative lack of pressure from interest groups (which moderated ITC), and the international parameters of the decisions (in other words, External was moderated by the fact that its international image goal could be met by a package roughly as generous as those of other donors). The end result was a problem-solving approach to decision-making. After 1974, the number of actors involved in decisions increased. Two of these actors, CCA and CIDA, were for different reasons adamantly anti-protectionist (i.e. almost nothing could justify withdrawal). The Department of Labour and to a lesser degree Revenue were firmly protectionist. And two of the triumvirate departments became much harder line in their behaviour and goals than they had been before 1974, ITC because of new

interest group pressure, and External because of new international pressures (e.g. "new economic order") which caused it to oppose withdrawal of already achieved gains to LDC's. Finance was caught in the middle as the only relatively moderate department. Again compromises took place, but they were largely the unintended result of interaction.

NOTES - CHAPTER VIII

- 1 Canadian International Development Agency, Canada: Strategy for International Development Corporation 1975-80, Ottawa, Information Canada, 1975, page 18.
- 2 Prebisch, Raul, Towards a Dynamic Development Policy for Latin America, (New York, United Nations, 1963).
- 3 Gerin-Lajoie, Paul, "International Development Cooperation: Dilemmas and Choices", Cooperation Canada, July-August 1975.
- 4 Meltzer, R.I., "The Politics of Policy Renewal: The U.S. response to granting trade preferences to developing countries", International Organization, Autumn 1976.
- 5 Reuber, Grant L., Canada's Interest in the Trade Problems of Less-Developed Countries, (Montreal, Private Planning Association of Canada, 1964), page 6.
- 6 See Meltzer, R.I., op. cit. and Bhattacharya, A.K., Foreign Trade and International Development, (Lexington, D.C. Heath and Company, 1976).
- 7 See Bhattacharya, A.K., op. cit., for account.
- 8 Confidential interview.
- 9 Department of Finance, Canadian Generalized System of Tariff Preferences for Developing Countries, (mimeo, 1977).
- 10 Behnam, M.R., "Development and Structure of the Generalized System of Preferences", Journal of World Trade Law, July-August 1975.
- 11 Cornwall Standard Freeholder, 15 November 1969.
- 12 Ibid.
- 13 Confidential interview.
- 14 Confidential interview.
- 15 Globe and Mail, 5 May 1972.
- 16 Globe and Mail, 7 June 1972.
- 17 Confidential interview.
- 18 Confidential interviews and Globe and Mail, 28 June 1974.
- 19 House of Commons, Standing Committee on External Affairs and National Defence, Sub-Committee on International Development Assistance, Minutes and Proceedings, 12:20, 1976.

- 20 Submission of the Canadian Manufacturers' Association to the Canadian Trade and Tariffs Committee With Respect to the CATT Negotiations, August 1974, page 33.
- 21 Winnipeg Free Press, 11 July 1974.
- 22 See Kirton, John, The Conduct and Coordination of Canadian Government Decision-Making Towards the United States, op. cit.
23. Confidential interview.
- 24 Confidential interviews.
- 25 Confidential interviews.
- 26, Montreal Gazette, 26 June 1976.
27. Confidential interview.
- 28 Textile and Clothing Board, Report on an Inquiry Respecting Work Gloves, Ottawa, 8 August 1975, page 5.
- 29 Ibid., page 8.
- 30 Ottawa Citizen, 6 April 1977.
- 31 North-South Institute, North-South Encounter: The Third World and Canadian Performance, (Ottawa, 1977).

In Part E we shall finally come to grips with the fundamental question of this thesis: how do the various actors interact to produce outcomes in the form of trade decisions? We have thus far described the domestic and international legal and economic framework of decisions, introduced the major actors and their characteristics, and examined in greater detail via case studies two groups of decisions. It remains to analyse interactions between these actors in terms of our three models of decision-making (governmental politics, rational actor, accommodation). We shall do so at two levels; first in terms of the general patterns of trade decision-making in Canada (a macro approach) and second, in terms of the major policy subsystems (tariffs, quantitative restraints, multilateral negotiations).

We should once again emphasize that the policy-making system that we are looking at corresponds roughly to the period of the Trudeau government 1968-78. Readers should not necessarily extrapolate from our conclusions about this period to all periods of Canadian commercial history. Certainly many of the policy structures of the Trudeau government differ from previous governments (for one, its emphasis on collegial decision-making in Cabinet). It is also possible to overstate the long-term strength of protectionist forces in Canada by extrapolating from empirical examples taken from a period of Canadian and international economic history marked for the most part by high unemployment, recession, economic nationalism and general international economic instability in the form of energy and monetary crisis. And what promises to be the next major thrust toward trade liberalization, the Multilateral Trade Negotiations, have at time of writing produced few "decisional outcomes".

This last point is important. Canadian liberalizations have on the whole taken place within the context of multilateral negotiating rounds and bilateral deals (from the Reciprocity Treaty to the Autopact) based on reciprocity. In spite of its demonstrable merits in terms of economic rationalization and benefits to the consumer, Canadian governments have always resisted unilateral liberalizations, such as those advocated in recent years by prominent economists and the Economic Council of Canada. Most liberalizations between GATT rounds have been temporary (e.g. tariff reductions to fight inflation) or largely determined on non-economic grounds (e.g. the CSP). Thus, while basing our conclusions about trade policy-making on empirical data taken mainly from the period 1968-78, we should avoid over-generalizing to other periods.

The simple initiation - review - bureaucratic resolution - political resolution characterization of the phases of decision-making processes provides a convenient way of studying the basic structure and dynamic of trade policy-making in Canada.

1. The Initiation Phase

Trade issues are most often initiated by either domestic interest groups demanding protection or liberalization or by foreign government actions and requests. Less frequent but nonetheless significant are independent policy initiatives emanating from the bureaucracy and even the political leadership. Domestic interest group claims are often transmitted via intermediaries such as MP's and provincial governments, and in some cases, mechanisms such as the Canadian Trade and Tariffs Committee for GATT negotiations have been set up especially to gather the views of the private sector. Generally the target of these influence attempts are ministers, either the one responsible for a particular piece of legislation, a regional spokesman in Cabinet or the "special interest department" minister. Senior bureaucrats are also important targets, especially for implementation questions (e.g. the more technical processes like anti-dumping where the DM Customs and Excise is the usual target) and many of the more routine tariff questions.

Earlier in this thesis, we presented the views and characteristics of major sectoral interest associations in disaggregated form. It is worthwhile at this stage to speculate on the relative strengths of Walter's "trade-biased" and "protection-biased" sectors in Canada. It would appear that Walter's major hypothesis about the inherent political strength of the protection-biased sector holds true, but

some distinctions are in order. The power of protectionist forces seems more evident in the context of the isolated request for protection where the "fragmentation effect" tends in isolated situations to emphasize employment concerns over consumer and export interests. The isolated request for liberalization is at something of a disadvantage, partly because the traditional Canadian government emphasis on reciprocity tends to bias against unilateral reductions of barriers for fear of losing bargaining advantages at future bilateral and multilateral negotiations. Many of the temporary unilateral tariff reductions introduced by Canadian governments are moreover better explained by the requirements of macro-economic policy than by the power of exporting or consumer interest groups. But these are only tendencies. Because of the constraints of the GATT, governments expect isolated requests for both protection and liberalization to be well documented in terms of injury from competition, or in terms of immediate gain to Canada, although they may not be justified on other grounds (e.g. textile firms may be well documented in proving injury, but not justified in terms of other objectives like efficient allocation of resources). In numerical terms, the large majority of isolated claims for both protection and liberalization are rejected by government. We would therefore conclude that the main bias in Canada is toward no change at all in barriers between negotiating rounds, but where changes do take place the protectionist sector has something of an advantage.

The strength of the protection-biased sector is less apparent in the context of multilateral negotiations, because all sectors

of the economy are on the table and because concessions can be traded for opportunities. Governments in such circumstances usually attempt to enhance the export opportunities of already competitive sectors and near-competitive industries and are more prepared to pay the costs of concessions in the form of allowing greater competition in the home market. In any case, for a small, open country like Canada, a defensive protectionist strategy toward multilateral negotiations is not very feasible, since the costs (in terms of retaliation) of refusing liberalizations agreed by the major powers would be too great. These reasons help account for the fact that most of the significant liberalizations of Canadian barriers have occurred through the multilateral or bilateral reciprocity approach rather than through a process of incrementalism on a case-by-case basis. The development of Canadian protection has to a greater extent evolved through a long process of incrementalism.

Finally, the power balance between protection and trade biased sectors is greatly affected by current economic prospects and expectations about medium term economic performance. The political power of the protectionist groups in both the case-by-case and trade negotiations situations, though perhaps especially the former, is enhanced by recession and unemployment which make adjustment to import competition more difficult socially. In periods of expansion governments are more prepared to emphasize export opportunities and to pay the costs of access to foreign markets in the form of greater competition at home. The immediate political situation, including regional controversies and electoral politics, also affects this balance.

Most of what we have said here is well documented in the literature on the history of Canadian and other governments' trade policies, and we need not belabour these points. It will suffice to summarize our conclusions about the initiation process:

i) The balance of power between protection and trade-biased sectors is influenced by:

- a) macroeconomic conditions, where recessions favour protectionists and expansion favours the trade-biased sector,
- b) immediate political and electoral circumstances,
- c) the context of decision-making where (i) isolated decisions basically favour the status quo, but somewhat in favour of protectionists and (ii) multilateral and bilateral negotiating contexts give an edge to the trade-biased sector, but subject to the constraints of a) and b) above.

These propositions tell us a great deal about the input side to trade policy-making in Canada, in spite of the fact that we are unable to quantify them. The next phase of the process is the review function, to which we now turn.

2. The Review Phase

The review phase occurs most often when ministers, having received representations from domestic associations, foreign governments or from within the government structure, direct their officials or other bodies to provide them with an informed judgement as to the issues at stake and the legal, political and economic implications of various options. Sometimes reviews are initiated by senior bureaucrats, especially concerning tariffs. Most reviews are undertaken within the responsible department (one of ITC, Finance or National Revenue) in consultation with other departments, especially the other "triumvirate" departments and Agriculture, and most of the footwork is done by lower and middle level specialist staff.

Because of this consultation, the lines between the review phase and what we shall call the "bureaucratic resolution" phase are often blurred.

The lines of demarcation between these phases are clearest where ministers exercise their second review option, that of reference to the specialized review mechanisms: the Tariff Board, the Anti-Dumping Tribunal (in Section 16.1 cases) or the Textile and Clothing Board. As noted above, these references have tended to concern issues of long-standing controversy where full ventilation and an independent judgement seems both appropriate and politically expedient or because, as with textiles, clothing and dumping issues, the law requires it.

The exercise of this review function is one of the major avenues for bureaucratic influence on trade decisions in that the definition of the problem and issue at stake, as well as the exposé of options, will, even with opinionated ministers, affect the way ministers make decisions. But it will seldom dominate ministers. As a former ADM at Finance and current Canadian MTN negotiator wrote about representations on the tariff:

the very great number of such requests, and the great pressure of other Government business on the Minister, requires that he rely heavily on the advice of his officials as to which particular course of action he should adopt. But Ministers of Finance have, I think, always insisted that even such small and particular questions are put before them in sufficient detail as to enable them to make independent judgements, to bring to bear their own judgement of business and politics.¹

The bureaucratic review function is thus a source of great influence on the part of officials, but ministers are generally far from pushovers.

3. The Bureaucratic Resolution Phase

Technically, the bureaucratic resolution phase revolves around the preparation of a draft memorandum to Cabinet. Memoranda production during the Trudeau era has been overseen according to quite formal criteria defined by the Privy Council Office. Memoranda to Cabinet are expected to contain several options, of which one is recommended, and to give judgement on the impact of options on federal-provincial relations, public opinion and foreign relations, as well as to indicate the interdepartmental consultation patterns employed. In this section we shall examine the two basic patterns of interdepartmental participation in trade decision-making, the patterns of alliance and cleavage between departments, and the resolution of conflicts.

As regards patterns of participation in trade decisions, one point is clear at the outset. Few trade proposals ever reach Cabinet without the participation of the so-called "triumvirate" departments of Industry, Trade and Commerce, Finance and External Affairs. Finance and ITC are almost invariably involved in substantive issues. Although DEA's capability for substantive input has been increased in recent years, the extent of External's substantive input (as opposed to commentary on potential international reactions and coordination with other foreign policy objectives) varies inversely with the complexity of the subject. Among secondary departments, Agriculture stands out as the only one which is almost invariably an active participant (in its sphere) and which possesses the capability for sustained substantive input. For the others, such as Consumer and Corporate Affairs, Energy, Mines and Resources, CIDA, DREE, Labour, National Revenue

and PCO, consultation and active participation has proved irregular, or at least incomplete. A few other departments, such as Indian and Northern Affairs on the provision of GFT duty to Third World handicrafts which compete with Canadian native handicrafts, have been participants, but so rarely as not to merit serious consideration.

We observe, in the Trudeau years two broad patterns of bureaucratic actor participation, the formal committee approach and the informal "big 3 plus 1" approach. The formal committee approach is the newer, being the result of operationalizations of the collegiality principle promoted by the Trudeau government and PCO, particularly in its earlier years. By "formal committee" we mean, not that the committee is necessarily the result of Cabinet directive (though most of them are), but that the committee's membership includes the full range of departments with some interest in the issues covered. There exist at present six major formal interdepartmental committees in the trade field, each corresponding to a particular statutory instrument or trade function. These are the Interdepartmental Committee on Low Cost Imports (for many Import Control List matters), the Interdepartmental Committee on the GSP (for General Preferential Tariff questions), the Interdepartmental Committee on Economic Relations with Developing Countries (whose major trade issues have been commodities questions), the Coordinating Committee for the Multilateral Trade Negotiations, the Interdepartmental Committee on Trade and Industrial Policy (for industrial policy linkages to trade measures) and the Inter-

departmental Committee on Commercial Policy (a would-be

coordinative and "think-tank" body). As we shall see, most of these committees have been characterized by greater conflict than participation patterns based on more restricted departmental involvement. Most function officially at the ADM level, but in many cases de facto participation is at lower levels.

The second, and more traditional, pattern of departmental participation might be called the "big 3 plus 1" approach. Generally ad hoc affairs without an ongoing title, consultations sometimes take place in very informal settings such as luncheons and telephone conversations between DM's, ADM's and Directors General. Similar meetings take place at the working level. Participation consists of Finance, ITC and External plus one other special interest department depending on the issue, though on occasion there may be two extra departments beyond the triumvirate.

The policy coverage of this informal approach is very broad. The "big 3 plus 1" pattern applies at present to all tariff matters (excepting the GPT since it was implemented in 1974), Import Control List questions other than "low cost" manufactured goods, in practice though not in theory preparations for the Multilateral Trade Negotiations, some commodities issues (before about 1975 when commodities became linked to LDC problems and ICERDC was created, all commodities issues were handled this way), most coordinative functions, and most crisis situations (e.g. the 1971 U.S. surcharge crisis).

What accounts for the existence of these two different patterns of interdepartmental participation? Before the advent of the Trudeau government the informal 3 plus 1 pattern was the only one for trade decisions (in the famous "mandarin" era). And it is the approach still preferred by senior officials in Finance and ITC, though to a lesser extent External, which has been keener on bringing other departments into the picture. Most of the DM's and ADM's in the triumvirate continue to regard the formal committees as dreary, cumbersome mechanisms and tend to believe that between themselves they can take account of all relevant considerations without complicating and slowing matters by having a broad range of departments involved in every issue. Needless to say, secondary departments do not always share this confidence in the wisdom of the big three. In fact, some formal committees have died a gradual death as loci of real action because senior officials in the triumvirate have tired of the process. Others, such as the Interdepartmental Committee on Commercial Policy, have gradually held less frequent meetings and still others, such as ICERDC, have tended to devolve to lower officials.

The formal committee approach was by no means welcomed by ITC and Finance senior officials. Most of these full committees had their origins in PCO and PMO after pressure from secondary departments and ministers in the early 1970's. External has proven something of a renegade among the big three by promoting several of these committees like ICCP and ICERDC.

Generally speaking, the formal committees are thus seen as painful necessities by Finance and ITC, to be avoided if they can.

get away with it. The argument of budgetary secrecy has proven effective in restricting departmental participation on most tariff questions (and it is by no means always a specious argument). To be sure, some often ingenious tactics have been used to restrict the de facto input of secondary departments, such as the timing of the circulation of agenda and demanding from secondary departments research inputs which they are known not to have the resources to produce. But all is not intrigue and jurisdictional jealousy. A major reason for the continuation of the informal 3 plus 1 pattern in spite of PCO preferences is the limited capability of most secondary departments to intervene effectively in all issues. Without capability, participation in discussions often becomes a largely symbolic exercise without much contribution to the substance of discussions. And parenthetically, this limited capability often means that secondary departments take ideological positions based on inadequate homework in the formal committees, resulting in conflictual atmospheres. This in turn tends to reinforce the Finance-ITC desire to avoid them. When the informal 3 plus 1 pattern is extended to include another department, as happens on some occasions with Consumer Affairs, it is usually the result of strong interest in the issue by the minister of the extra department.

Patterns of alliance and cleavage in the bureaucratic resolution phase are fairly predictable, although not the same on every issue. In isolated cases of response to import competition, as we have seen in our introduction to the actors and the case studies,

External Affairs, Consumer Affairs and CIDA officials provide consistent resistance to protectionism, the ITC sector branches and most of the other special interest departments are more sympathetic to industry appeals for protection, while the International Trade Relations Branch of ITC and Finance find themselves in the middle. We are talking here about officials' preferences; actual behavior depends greatly on both stated ministerial preferences (for example, Agriculture has probably been more protectionist on these isolated cases in the Whelan era than it might have been with a Western minister) and anticipations of ministerial preferences. For the issues where the "fragmentation effect" is not paramount, such as preparations for multilateral trade negotiations, this cleavage pattern breaks down somewhat. In such situations, special interest departments such as Agriculture and Fisheries are forced to engage in more internal reconciliation of the diverse interests of their strong and weak sectors (and the same applies to many ITC Sector branches), and some of the liberal ITC sector branches representing strong manufacturing sectors become involved. On the other hand the "anti-protectionist" departments such as External and CCA retain this bias, and the more neutral Finance and ITR of ITC tend to swing toward the liberalization side of the pendulum because of the possibility of trading opportunities for concessions in multilateral negotiations. These considerations help explain, as we shall see, why the "accommodation model" is more characteristic of MIN decision-making than isolated cases, as well as why most

post-war Canadian liberalizations have taken place in MIN-style contexts. Of course ministers are capable of reversing this liberal bias of bureaucratic resolution in MIN's, but since they are subject to many of these same considerations, they tend to find liberalizations in MIN contexts more acceptable, though with greater caution than bureaucrats.

Patterns of alliance and cleavage are also influenced by the patterns of departmental participation described above. Relations tend to be less conflictual when participation is restricted to the triumvirate departments. As John Kirton observed, "disagreements among the three central members, while frequent, are usually limited in degree and duration, and confined to analytical points within well understood limits"². Thus while different orientations between the big three have always existed, resolutions between them tend to take place within a spirit of willingness to compromise and accommodate -- an approximation of the "accommodation model" described earlier. Probably the period which most closely approximates the operation of the accommodation model was the 1960's when the three actors were Finance, External and Trade and Commerce, which shared a belief in the priority of international obligations³. With the amalgamation of the departments of Trade and Commerce and Industry, the accommodation process began to be modified by the addition of a largely protectionist actor (i.e. the old Industry Department, now corresponding roughly to ITC's line branches) to the central core. The pure workings of accommodation began to break down.

We would argue that as long as participation remains at the level of ITC, Finance and DEA plus one, a reasonable approximation of accommodation politics can still be achieved. However, with the addition of other special interest actors as occurs in many of the formal interdepartmental committees, accommodation tends to break down completely and policy-making approximates the governmental politics model. Of course these scenarios all depend on ministerial preferences, since governmental politics can only determine outcomes when ministers act in their department head or regional roles. But it is a sufficiently common occurrence that at least some ministers take on their department head role or that their officials act as though the minister does so due to imprecise or non-existent instructions, that governmental politics processes do occur. The result in such situations is often that complete agreement between officials is not reached and issues are escalated to Cabinet, but more frequently some sort of compromise results. These are only tendencies that we are talking about, not hard and fast rules. Our major point is that the accommodation model tends to be characteristic of decision-making when actor participation is restricted. Although there are occasions when the big three ministers are sufficiently divided that even in 3 plus 1 situations governmental politics may result, this is relatively infrequent (partly because two of the big three, Finance and External, do not have clear-cut domestic constituencies), but not as infrequent as in the pre-Trudeau period before ITC amalgamation. Governmental politics processes become more likely as the number of departments

participating in a decision increases, though not inevitably. With a full range of participating departments, it is still possible for shared images among ministers (e.g. see case study on the November 1976 decision) and instructions to accommodate to be clear, but this is relatively infrequent.

How are differences of view between departmental officials resolved in the memorandum to Cabinet? To be sure, there are situations where resolution proves impossible and dissenting opinions are expressed in the memorandum. And there are situations where, because of strong shared political images between ministers, bureaucratic differences of view become irrelevant (e.g. November 1976). But between these extremes, certain principles operate to limit the scope and duration of conflict. Probably the most important of these principles is the "lead department" principle. The department with legal responsibility for an issue has clear advantages in expressing its point of view, and by gentlemen's agreement the others do not press their case too far since they accept the basic legitimacy or primacy of the responsible or lead department. This principle holds true particularly for matters which are the domain of Finance, but probably less so for ITC responsibilities since the two wings of ITC are less likely to have a common position. Another principle is that agreement between the big three departments is very difficult to overcome, because these departments have the greater expertise and more prestigious ministers who are less likely to be challenged in Cabinet. In those few cases where the big three are defeated, it is almost invariably accomplished in Cabinet (based on some other minister's invocation of political or regional considerations,

or prime ministerial intervention) rather than at the bureaucratic level. Career mobility in the public service and in Cabinet may also play a role in discouraging total identification with the interests of one department, though more at senior-levels than for specialist staff, and this tends to limit conflict.

In those situations where the accommodation model holds, resolution (which does not necessarily mean agreement) is quicker and less conflictual than when governmental politics processes occur. But even when governmental politics prevails there are limits to conflict.

4. The Political Resolution Phase

In discussing the behaviour of Cabinet ministers in trade policy decision-making, we face a problem of incomplete information because of the tradition of Cabinet solidarity and secrecy. Some of our conclusions should thus be regarded as more tentative than for other stages of the process.

Trade policy is a relatively high profile area to most Cabinet ministers, based on their departmental, regional-constituency and party roles, not to mention personal interests and theories. The mandarin theory notwithstanding, it is ministers who in the end make decisions and they are far from being mere mouthpieces of their senior advisors. It is indeed surprising to the uninitiated (including the present writer upon starting this research) to learn that many seemingly minor details of trade policy, such as the tariff on scissors, are considered in Cabinet. It is not uncommon for ministers to reject the advice of their officials. And if officials were not in the habit of "tailoring" their advice to the political realities and anticipating the attitudes of ministers, there would doubtless be many more cases of rejection.

Two main reasons explain this reality. First, most individual trade decisions require by law either an order-in-council (e.g. imposition of quantitative restrictions), legislation in the House of Commons (e.g. changes to statutory tariffs) or international treaties and agreements. Second, as a matter of political rather than legal reality, trade policy is one area of public policy where almost all ministers have views and personal interests based on their constituencies and home regions, and where they want an input. While only a minority of ministers usually display a keen interest in international affairs and diplomacy in general, the large majority are keenly sensitive to changes in the structure of protection, and are constantly made aware of such issues by pressure groups.

While these statements would seem valid for all ministries, the Trudeau government has augmented the role of Cabinet ministers in trade as in other areas of policy, both in that more trade matters are considered in Cabinet or Cabinet committee, and that more ministers are involved in decisions. The 1968 reorganization of the Cabinet committee rules allowed any minister, if so motivated, to attend a committee meeting of which he was not a member (and ensured the prerequisite flow of documents and agenda to all ministers). The new rules also modified the division of labour between ministers and senior officials. As Mitchell Sharp observed:

The Trudeau approach to decision-making in the Cabinet has had many consequences. Perhaps one of its most significant has been to require ministers to become knowledgeable, even expert, to an extent that was not required of them in the past... My impression is that for these reasons ministers are not as dependent upon their principal civil servant advisors for policy guidance as they were in earlier

administrations and that interdepartmental committees, while they remain numerous, are not as significant in the decision-making process as they once were.⁴

This increased role of ministers is also related to the increased presence of senior bureaucrats from several departments at Cabinet committee meetings to be questioned by ministers, who are thus less dependent on the advice of any one DM or ADM.

But the diminished role of senior bureaucrats is only relative. Again, Mr. Sharp points out that "while ministers have become more expert, the problems have become more complex, and there remains plenty of scope for the exercise of the analytic powers and judgement of senior permanent advisors"⁵.

The policy influence of Deputy Ministers and other senior bureaucrats, which manifests itself through the definition of issues and options in memoranda, is undoubtedly greater in the more technically difficult and complex issues, in implementation activities, and in situations of rapid turnover of ministers or where a department is headed by an intellectually or politically weak or inexperienced minister.

It should also be mentioned that the degree of personal involvement of ministers in trade issues varies according to the question under discussion. Quantitative restrictions and the more politically sensitive tariff questions receive much greater and more regular ministerial input than another group of numerous but largely routine tariff decisions. This latter group of "minor" tariff decisions (see section on between-round tariff setting) are handled to a far greater extent by bureaucrats. Because of the complexity of the Multilateral Trade Negotiations and the scarce

resource of ministerial time, ministers have concentrated upon the analysis of packages of proposals prepared for them by bureaucrats rather than detailed consideration of each item.

Even in those situations where ministerial personal involvement is quite low, it would be a mistake to conclude that ministers are unimportant to the policy process. The bureaucrats who handle such cases are continuously involved in a process of anticipation of ministerial biases, and try to give advice which they feel will take account of their ministers' political, regional and departmental concerns. This advice is quite often different from the personal preferences of the bureaucrats involved. Senior bureaucrats have generally proven astute enough anticipators such that a large number of trade decisions are made with little ministerial personal involvement. Contrary to appearances, this fact does not imply that it is really the civil servants who run the show.

Trade decisions are seldom made in full Cabinet. Most are considered in the Cabinet committees on Economic Policy, Government Operations, and External Policy and Defence. Of these, the key committee is Economic Policy. The Cabinet reforms of 1968 made decisions of these committees final unless brought up by a minister in full Cabinet. The exact membership of the Economic Policy Committee is secret, but certainly includes the key economic departments plus other ministers based on the criterion of regional balance. Other ministers have the right to attend if so motivated. The Secretary of State for External Affairs, for example, has not been a member of the Economic Policy Committee since 1974, but SSEA's have attended numerous meetings

concerned with trade and other international economic questions. The Cabinet also has a long tradition of ad hoc committees. In 1977 an ad hoc committee of 16 ministers on the Multilateral Trade Negotiations was set up under the chairmanship of Deputy Prime Minister Allan MacEachen. The large number of ministers on the MacEachen committee, some of whose portfolios have nothing to do with trade policy, reflects the regional and political importance of the MTN. Of course, by no means all of these members are regular participants in the ad hoc committee.

Patterns of ministerial participation in trade policy-making are influenced not only by the Trudeau application of the collegiality principle (which tends in the direction of expansion) but also by the legal and informal hierarchy of ministers on trade issues (which tends to limit participation and influence). It is clear that the ministers of Finance, ITC and the SSEA are "more equal than the others" in making trade policy (with the possible exception of the minister of Agriculture on agricultural issues), not only because of their responsibilities but also because these ministers are usually men of great personal influence in Cabinet. Because trade decisions always have an impact on macroeconomic conditions, particular industries in Canada and on relations with other countries, these three ministers, and consequently their departments, are almost invariably involved; indeed, perhaps the majority of trade proposals go to Cabinet committee signed by all three ministers. Given the nature of his responsibilities, it is possible that the minister of Consumer and Corporate Affairs might have played

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a consistently greater role in trade policy but for the long succession of ministers of mostly low personal prestige.

There thus exists a de facto hierarchy of ministers on any given trade question, with the responsible minister at the top, the other two of these three inner group members (plus perhaps Agriculture) not far below, the other special interest departments somewhat further down the hierarchy, and finally a residual category of ministers who for personal or regional reasons may from time to time intervene. For reasons to be discussed further on, the minister of Finance is probably more squarely at the top of the hierarchy for his areas of responsibility than the minister of ITC for his. In any case, these three ministers taken together are quite significantly more influential than all the rest, in great part because, given the scarce resource of ministerial time, interventions by non-responsible ministers do not take place with equal intensity on all issues. Theoretically, one might put prime ministers at the top of this hierarchy, but as a rule PM's have intervened relatively little in the formulation of trade decisions.

Patterns of alliance and cleavage within Cabinet on trade policy are far less predictable than is the case for bureaucratic actors, due to ministerial possession of multiple roles (department head, party politician, regional spokesman) and the possibility of role conflict. One general statement, however, seems to apply to most ministers: they have on the whole tended to be more protectionist and have had less incentive to think about the long term than their civil service advisors. This seems less the result of attitudes and beliefs than of being more subject to

political pressures from interest groups. It is also more pronounced in the context of isolated interest group representation; politicians are keenly sensitive, for example, to such things as the evidence suggesting that J.L. Pépin, minister of ITC, lost his seat in the 1972 election in part because public opinion in his riding perceived his textile policy as too generous to imports. Although less the case in multilateral bargaining situations, even here ministers seem more cautious about liberalization of barriers than officials.

Beyond this general principle, cleavage patterns in Cabinet reflect greatly the case-by-case choice of mix of roles by ministers. We defined previously the governmental politics model as one where ministers bargain in Cabinet committee on the basis of their departmental or regional roles, the rational actor model as where shared party electoral interests predominate, and the accommodation model as where uncertainty or a desire to take account of multiple roles leads to a conscious accommodation of competing concerns. Our case studies, as well as other evidence presented in this thesis, indicate that during the Trudeau period there have been examples of the operation of all three models - for example, the governmental politics model in the "standard" low-cost import cases, the rational actor model in the extreme case of 29 November 1976, and the accommodation model in the formulation phase of the GPT. We also find that a lack of clear direction from ministers sometimes permits the operation of one model (for example governmental politics) at the bureaucratic discussion level and another model (often accommodation)

at Cabinet level. In numerical terms, governmental politics and accommodation appear to be most frequent. Although the nature of this research does not permit quantitative precision, it is our impression that at Cabinet level accommodation is more frequent than governmental politics, partly because ministers are colleagues of the same party who can appreciate each others' concerns. It seems only somewhat more frequent at bureaucratic levels. Rational-actor style shared images are much less frequent but do concern some very important decisions. We shall shortly, after reviewing the trade policy subsystems, present some hypotheses about the conditions governing the applicability of each of these models.

The role of the prime minister merits further comment. The past three Canadian prime ministers have intervened very little in trade policy. Diefenbaker did so more than either Trudeau or Pearson, but was known for intervention in the fields of activity of many of his ministers. Both Pearson and Trudeau, but especially Pearson, have left trade policy to their ministers of Finance and ITC and accorded them full confidence. For example, beyond signing the document, Mr. Pearson was involved very little in the preparation of the Autopact, and the same applied to the Kennedy Round negotiations. All three of these prime ministers have had trade views somewhat more liberal than their cabinets, but have been very realistic about the political dangers of conspicuous liberal initiatives.

Mr. Trudeau's major interventions in trade questions have primarily been based on his philosophical beliefs, longstanding

or recently acquired, and on issues where the diplomatic and economic content are blurred. The two areas of strongest Trudeau interest have been the areas of international development (it was for instance Trudeau who squashed a 1975 Cabinet committee decision to withdraw the GPT on scissors and who, along with Ivan Head, committed the country to UNCTAD's "integrated commodities program") and the Third Option, especially the "contractual link" with Europe. In the more common trade decisions such as those setting levels of protection, Mr. Trudeau's interventions have been quite rare. The reasons appear to lie in the always scarce resource of prime ministerial time and the pressure of other business, confidence in the relevant ministers and in many cases a relative lack of interest in such matters. Even the response to such major trade situations as the 1971 surcharge crisis and the Multilateral Trade Negotiations was left entirely to ministers. As for being a target of interest group lobbying, prime ministers are not very accessible. Besides providing philosophical guidance in the cases of international development and trade diversification, perhaps the most important trade role of Trudeau as well as most other prime ministers, has been to enter into contact with other heads of government when action appears to require such high level breaking of logjams. Most such cases though have been at the request of ministers rather than prime ministerial initiatives. It is quite likely that prime ministers arbitrate disagreements between ministers on trade issues, as on other questions, although Cabinet secrecy prevents us from pointing to any examples.

NOTES - CHAPTER IX

- 1 Grey, Rodney de C., "Making Trade Policy in Canada", unpublished mimeo, 1976.
- 2 Kirton, John, The Conduct Coordination of Canadian Government Decision-Making Towards the United States, op. cit., page 74.
- 3 Ibid., page 53.
- 4 Sharp, Mitchell, "Decision-Making in the Federal Cabinet", Canadian Public Administration, Spring 1976.
- 5 Ibid.

Having examined trade policy-making in Canada at a macro-level, it would now be useful to narrow in on some of the major policy subsystems in order to achieve greater precision in our conclusions about policy processes. The subsystems which we have singled out for more complete analysis are those concerning between GATT Round unilateral tariff changes, quantitative restrictions, and the Multilateral Trade Negotiations. These do not cover the entire spectrum of subsystems: such instruments as anti-dumping duties, surtaxes, countervailing duties, commodities policy, export promotion and the issue of bilateral negotiation are left out, although some of them were given some casual treatment in proceeding chapters. We expect that examination of these three subsystems will allow us to hypothesize some interesting statements about the trade policy process and the diverse ways in which actors interact to produce outcomes.

These subsystems, it should be remarked, are not always totally discreet. When an interest group appeals for protection, for example, it may not always be clear at that point just what action, be it tariffs, surtaxes, or perhaps quantitative restraints, will be taken. There is therefore some overlap between these subsystems which readers should bear in mind.

Each subsystem will be analysed in terms of a) the subsystem structure (actor participation, patterns of alliance and cleavage) and b) the subsystem process (the operation of our three models of decision-making). We shall find that these subsystems vary in the extent to which each model characterizes the process as it has occurred during the period 1968-78. The quantitative restrictions subsystem has been characterized by a "standard" governmental politics dynamic

with intermittent crisis situations where rational actor shared images predominate. Canadian preparations for the MFN provide a classic case of accommodation dynamics. Isolated between-round tariff decisions have experienced all three processes, but with accommodation the most common.

1. Tariff Setting Between GATT Rounds

There are four principal ways in which tariff decisions are initiated. They may come about as a result of international negotiations such as the GATT rounds or, in cases like the GSP, from various North-South interactions. A second form of initiation takes place when Canadian interest groups make representations to the Minister of Finance or other ministers, officials and MP's. Third, foreign government initiatives and bilateral negotiations may be the context. Finally, the department of Finance may decide on its own that duties should be reduced or increased for other reasons such as anti-inflationary policy or balance of payments problems. Examples of this latter sequence occurred in 1969 and 1973 when Canada made its Kennedy Round reductions all at one time rather than by phase-in (1969) and when tariffs on about \$2 billion in consumer items were reduced in 1973, both of these for purposes of fighting inflation.

This section will focus on the second type of unilateral tariff-setting sequence: the isolated between-Round cases of interest group representation unrelated to multilateral GATT negotiations. Although the development of Canadian tariff offers at GATT rounds involves heavy interest group agitation, we will discuss this sequence in our section on the Multilateral Trade Negotiations.

The powers of Governor-in-Council regarding changes in duties are worth nothing at the outset. At any given time there exists a schedule of rates of duty passed by Parliament known as statutory rates. Parliament has delegated to Cabinet the right to make certain changes in rates by order-in-council: rates on products used as inputs into Canadian manufacturing may be temporarily reduced or eliminated (usually for one year) or restored to their statutory level under Section 273 of the Customs Act; the same applies to chemicals and plastics under Section 12 of the Customs Tariff; and GPT rates may be restored to previous MFN rates on condition of injury to Canadian producers. All other changes, including changes up or down in end products, must be approved by a bill in the House of Commons.

One further definitional point is in order. Bound, as opposed to unbound, rates are those previously agreed to by Canada on a contractual basis in GATT rounds and bilateral negotiations. The large majority of Canada's MFN rates today are bound. Although Canada can change bound rates (by either legislation or order-in-council, depending on the above), increases in such rates are subject to the compensation constraints of Article 28 of the GATT. For this reason bound and MFN rates are in fact seldom increased. Thus when an interest group demands and gets a tariff increase, it is most often a matter of restoring a previously reduced rate to its statutory level or restoring to MFN a previous concession such as a GPT rate.

a) Subsystem Structure

Interest group appeals for increases or reduction of rates of duty are formally directed to the Minister of Finance. In practice, because of the large numbers of such claims, the often complex

analysis which needs to be done, and the time constraints faced by the minister, numerically the largest portion of representations go to the ADM for International Trade and Finance or the Director of Tariffs Division. Those appeals which go directly to the minister are generally of most obvious political sensitivity (and interest groups by and large have a good "feel" for what should or should not be directed to the minister), or are referred to him by other ministers and MP's. Ministers of Finance for the last decade have moreover developed the tradition of delegating many such cases to their Parliamentary secretaries.

Review of these appeals is in most cases (probably 95%) undertaken by the Tariffs Division of the Department of Finance. The division consults with other interest groups on the matter and with other departments, most frequently the line branches of ITC and the Department of Agriculture for their sector expertise. (Other special interest departments such as FMR, CIDA and Fisheries are less privileged.) Consultation with External Affairs in most cases largely symbolic (and often non-existent in such isolated cases), and with Consumer and Corporate Affairs limited to cases where an increase in rates is being contemplated. The substantive input of both CCA and External is severely restricted by the limited resources of these departments. Their between Round involvement is substantial only in cases of diplomatic sensitivity like the G/T or in cases where the consumer impact is both strong and obvious. Thus while the "3 plus 1" pattern of participation is formally operative in the case of between Round reviews, the de facto participation is often even more restricted. Indeed, there do exist cases where consultation never goes beyond the Department of Finance.

The only tariff slice whose participation patterns reflect the interdepartmental committee approach with the full range of departments is the G.T. There exists no formal interdepartmental committee on non-G.T. tariffs.

The large number of tariff appeals and the minister's time limitations make him highly dependent upon the analysis and recommendations of his officials in Tariffs Division. Groups of 30 or so recommendations are often sent to the minister for his approval and it is often the case that he was not aware that a review was being conducted until presented with the recommendation. In the vast majority of cases, officials' recommendations are accepted by the minister and in those cases of refusal the refusal is almost always on political grounds. This is not to imply that the minister is merely a rubber stamp of his officials in tariff matters. The senior tariff-making officials have been politically astute enough to present on the whole recommendations which will be accepted, often against their own preferences, by anticipating ministerial biases. This while the personal involvement of the Minister of Finance in analysing tariff questions may be quite low, he must not be regarded as unimportant to the decision-making process.

Reviews may also be carried out by the Tariff Board, when the Minister of Finance refers matters for complete ventilation to the Board under Section 4 of the Tariff Board Act. There are comparatively few of these references, averaging 5 or 6 per year. Most questions referred to the Board are politically sensitive ones where there are

competing interests of strong views. TB references thus serve the function of "taking the heat off" the minister on delicate and complex questions.

The decision of the Minister of Finance is then taken to Cabinet Committee, normally the committee on Economic Policy.

The large number of isolated cases, as well as the authority and prestige of the Minister of Finance, assure that numerically speaking most individual tariff proposals are approved in committee, with little probing or opposition. But there are numerous examples of keen interest by non-responsible ministers: these correspond generally to cases of high profile consumer products, diplomatic sensitivity, regional sensitivity or when ministers have been subject to particular pressures from interest groups and MP's in caucus. Some tariff questions, however, may never be considered in Cabinet Committee due to budgetary secrecy. The end result of the policy process, if a change in duties is decided, is either an order-in-council or a bill in the House of Commons.

The large majority of interest group appeals for tariff increases or decreases are rejected these days. Although in the past ten years there have been quantitatively more cases of tariff reductions than increases, this is due more to the use of tariffs as an instrument of macroeconomic policy (eg. anti-inflation) than to the success of anti-protectionist interest groups. The major bias in between-Round tariff considerations would appear to lie with the status quo, with perhaps a slight edge to protectionist interests during the Trudeau era. This is due in large measure to the now solid international norm against tariff increases, the existence of industrial

policy substitutes and alternate instruments of protection such as quantitative restrictions and surtaxes, as well as the traditional Canadian policy of reciprocity which tends to reserve downward changes in tariffs for multilateral negotiations. A further reason is related to the organization and personnel of the Department of Finance which, in contrast to the sector branches at TTC, is not tied by either personnel recruitment practices or organizational mission to particularist interests in society.

b) Subsystem Process

The interaction of actors in isolated between Round tariff questions corresponds overwhelmingly to the accommodation model described earlier. While differences of view most definitely exist at both bureaucratic and ministerial levels according to departmental interests and on regional-constituency grounds, the decision-making process in most cases has been characterized by a conscious search for compromise as opposed to conflictual dynamics. Some of the reasons seem related to the constraints upon changes in tariffs imposed by both Article 28 of the GATT and the general Canadian policy of avoiding changes in statutory duties between GATT rounds. Thus many of the most difficult questions are raised elsewhere over other instruments of trade policy, such as quantitative restrictions. Second, participation patterns in the between Round tariff setting process tend to favour accommodation processes. Unlike many other trade policy subsystems, the "big 3 plus 1" approach on tariffs is a maximum participation pattern rather than the standard or a minimum. Only in the case of the GTP, since 1974, does participation reach beyond

"3 plus 1". In the large majority of between Round reviews, participation is for all intents and purposes a two department exercise, Finance plus ITC or Agriculture. The scope for bureaucratic bargaining is thus reduced by restricted participation at the bureaucratic level. At the Cabinet level, accommodation is favoured by the general prestige of the Minister of Finance. In both cases, the tradition of budgetary secrecy has allowed Finance to largely escape PCO-imposed interdepartmental committees. Third, the position of the Department and Minister of Finance within government is relevant. The Department and Minister of Finance maintain a firm control over tariff policy to a greater degree than does the Minister of ITC over his fields of responsibility. Finance consults with other departments, but it does not on the whole allow its responsibilities to be subject to interdepartmental bargaining to the same extent as ITC. Budgetary secrecy, the prestige of the Minister, and the reputation of the Department as beyond identification with any one particularist interest account for this. Fourth, accommodation is favoured by the fact that tariffs involve a large number of small cases, and most departments, including External and CCA, do not have the capability of frequent intervention.

Governmental politics processes do occur from time to time, when such factors as widespread departmental interest in a subject (eg. both a strong consumer and producer interest), diplomatic sensitivity, and regional sensitivity arouse the other departments

and ministers. Given the low capability of secondary departments, who must therefore choose their battles carefully, there are relatively few issues where this convergence of factors occurs. The GPT after implementation is the tariff slice where this convergence has occurred most frequently. It has occurred in addition in several of the issues, such as sugar, and fruits and vegetables, which were preceded by Tariff Board references.

The operation of the rational actor model seems less frequent still. Shared political images and situations of political crisis surrounding tariffs are comparatively rare. This is in large part due to the facts that sudden surges of imports seldom result from tariff changes at GATT rounds because these are phased-in (and thus further increases in statutory levels are seldom seen as tempting) and that the availability of safeguard instruments such as Article 19 action or surtaxes tends to cause the crisis situations to occur in other trade policy subsystems.

2. Quantitative Restrictions on Imports (via the Import Control List)

It is generally agreed that recourse to non-tariff measures, and in particular quantitative restrictions on imports, has increased since the Kennedy Round and the five previous GATT negotiating rounds have reduced the importance of tariffs as impediments to trade (though in Canada's case tariffs are more important import barriers than is the case for most industrial countries). The policy-making process in Canada for quantitative restrictions revolves around the Import Control List, established by the authority of the Export and Import Permits Act. The List has included four types of action over the course of its history since 1947: items put under global quota

(under Article 19 of the GATT), voluntary export restraint agreements between Canada and supplier countries, surveillance and embargo (goods of Rhodesian origin, for example).

The Export and Import Permits Act authorizes the Minister of Industry, Trade and Commerce to place goods on the Import Control List for the following purposes:

- i) "to ensure, in accordance with the needs of Canada, the best possible supply and distribution of an article that is scarce in world markets or is subject to governmental controls in the countries of origin or to allocation by intergovernmental arrangement." (Section 5(a)). This section of the act has not been used since the early post war days.
- ii) "to restrict, for the purpose of supporting any action taken under the Farm Products Marketing Agencies Act, the importation in any form of a like article to one produced or marketed in Canada the quantities of which are fixed or determined under the Act" (Section 5(a.1)). This section was amended in 1973 in order to allow placing eggs and turkeys on the Import Control List.
- iii) "to implement any action taken under the Agricultural Stabilization Act, the Agricultural Products Board Act or the Canadian Dairy Commission Act, to support the price of the article..." (Section 5(b)). This is the section under which several dairy products (cheese, dry skim milk, casein, butter) were put on the list in the 1950's and 1960's and have remained ever since.
- iv) "to implement an intergovernmental arrangement or commitment" (Section 5(c)), which has been used on two occasions

to surveil imports from non-member countries in respect of the International Cocoa Agreement and International Coffee Agreement.

v) "Where at any time it appears to the satisfaction of the Governor-in-Council on a report of the minister made pursuant to a) an inquiry made by the Textile and Clothing Board... or b) an inquiry made under Section 16.A of the Anti-Dumping Act, by the Anti-Dumping Tribunal... that goods of any kind are being imported or are likely to be imported into Canada at such prices, in such quantities and under such conditions as to cause or threaten serious injury to Canadian producers..."

(Section 5.2). Numerous textile and clothing items have, since 1970, been put on the List under this jurisdiction. In addition, preserved mushrooms were listed under the Anti-Dumping Act provision in 1975 (removed in 1976) and many footwear items in December 1977.

The two major product categories which have been subject to quantitative restriction by Canada, therefore, are the so-called low-cost manufactured goods (textiles, clothing, footwear) and agricultural products. It is important, from the point of view of the decision-making process, to realize that while there is no time limit on the agricultural restrictions, the items restricted under the Textile and Clothing Board and Anti-Dumping Acts are subject (by international agreement) to the provision that imports can be limited only "to the extent and for the period that, in the opinion of the Governor-in-Council, is necessary to prevent or remedy the injury". For this reason, decisions on agricultural products arise at much less frequent intervals than decisions on manufactures like textile and clothing articles.

There are really two policy-making sequences involved in the "production" of quantitative restrictions in Canada, depending on whether the product is a "low cost" manufacture or agricultural. This research did not cover in any detail the agricultural side, and we would therefore prefer to restrict our comments on structure and process to cases of quantitative restraint on "low cost" manufactures.

a) Subsystem Structure

The decision-making structures for textile and clothing goods and other manufactured goods are quite formalized. A Canadian producer or group of producers can make representations to the Minister of Industry, Trade and Commerce or Finance for special protection based on claims of "injury or threat of injury" from imports, and the minister then refers the matter to the Textile and Clothing Board or, for non-textile goods, to the Anti-Dumping Tribunal, for determination of whether injury in fact exists and for recommendations as to whether special measures of protection are justified. Firms may also appeal directly to the Board (but not to the Tribunal). The TCB's deliberations are based on confidential examination of the appealing firms' rationalization plans, according to the principle that "special measures of protection are not to be implemented for the purpose of encouraging the maintenance of lines of production of becoming competitive with foreign goods in the market in Canada if the only protection to be provided is that provided at any time by rates of duties of customs" (Section 18(d), TCB Act).

After a report and recommendations have been issued by the Board or the Tribunal, the matter proceeds to interdepartmental

discussion for recommendation to the Minister of ITC. The relevant forum is the Interdepartmental Committee on Low-Cost Imports, chaired by ITC and including the departments of Finance, External, CIDA, Consumer and Corporate Affairs, National Revenue, Labour and PCO. These recommendations (by which of course ministers are not bound) are presented in the form of a draft memorandum to Cabinet to the Minister of ITC. This minister, if satisfied, takes them to the Cabinet Committee on Economic Policy for final, political resolution. If he is not satisfied, they may go back to the inter-departmental committee. Once Cabinet has made a decision, the possible outputs are export restraint agreements negotiated with exporting countries on behalf of Canada by the Office of Special Import Policy (ITC), global quotas, or surveillance procedures. OSIP's Export and Import Permits Division administers quotas and other matters of the Import Control List, via the issuance of import permits. As for appeals, in the case of quantitative restrictions there exists no formal appeals mechanism for aggrieved parties. Appeals must therefore be made via the political process.

b) Subsystem Process

This, in sum, is the structure of decision-making for "low cost" quantitative restrictions. The dynamic of the process (by which we mean the way in which actors interact as a matter of empirical observation to produce outcomes) was discussed in greater length in the case study, but we may summarize our observations here.

- i) The Textile and Clothing Board has, with great regularity, found injury to be occurring, found appealing firms' rationalization plans to be acceptable, and recommended the introduction of special

measures of protection. The constraints of Section 18 of the TCB Act would appear to have largely been set aside, as was argued in the section of this thesis on the Board. The Anti-Dumping Tribunal has been called upon only three times to date, under Section 16.1, in two cases finding injury.

ii) We find evidence for the application of both the "governmental politics" model and the "rational actor" model in the bureaucratic and political resolution phases. Governmental politics processes seem characteristic of the largest number of such decisions so far made (though not necessarily the most important decisions), while rational actor shared images have characterized the more extreme cases of political sensitivity, such as that described in our case study of the 29 November 1976 clothing quotas. We find, in contrast, very little evidence of the operation of the "accommodation model" in the recent history of quantitative restrictions.

iii) In those cases where governmental politics was characteristic, most ministers have behaved in a way tending toward their department head or their regional roles. Most often, special interest department ministers have supported that interest while ministers of ITC and Finance are more neutral, though especially Finance. Interaction within the Interdepartmental Committee on Low Cost Imports has been based on bargaining between departmental officials representing in most cases fairly clear-cut interests. The normal alignment is between Textile and Consumer Products Branch of ITC and National Revenue arguing for maximum protection on the one side and External Affairs, Consumer and Corporate Affairs and CIDA on the side of minimal protection, with the International Trade

Relations Branch of ITC and Finance somewhat in the middle. The standard process is for a compromise to be reached between the relevant interests. The most common outcome has been for the protectionist forces to get their way as far as whether protection would be afforded or not, but for the non-protectionists to win concessions in terms of the conditions of protective actions (e.g. base levels, growth rates, type of protective instrument). This process works particularly in accordance with the model when the minister of ITC, as was the case with Alistair Gillespie, is quite neutral as between the divergent orientations of his ITR and sector branches. When the minister has personal interests which put him on the one side rather than the other, (e.g. Ppin and Chrtien with textile interests in their ridings) the governmental politics process still functions (provided other ministers take their department head role) but the outcome is somewhat biased in one direction or the other. The precise nature of the compromise is influenced by two major factors. First, ITC has legal responsibility in this area and thus there are limits to the degree to which the other departments are able to chip away for concessions. Thus the particular accommodation worked out between ITR and Sector branches within ITC is likely to be relatively close to the final outcome. Second, the positions taken by officials in bargaining at the bureaucratic level will be influenced by their anticipations or perceptions of the biases and reactions of ministers. All officials will anticipate the biases of the Minister of ITC and each of his own minister. Thus CCA or External officials will be firmer if they feel they have full

support of their ministers and if they feel the ITC minister is amenable to change. This anticipation is needed because at the bureaucratic Committee stage, ministers of many departments may have left only general instructions for their officials, or may not have left any instructions at all. When matters reach Cabinet, ministers have generally bargained on the basis of their department role, their regional role, or most often in combination.

iv) This process of governmental politics is periodically upset in situations of "political crisis", such as the November 1976 situation, where ministers are under particularly intense pressure from interest groups. In these situations the process of bargaining between departmental and regional interests (at both bureaucratic and Cabinet levels) is replaced by ministers making decisions purely in terms of their roles as party politicians.

In the 29 November case, the interests of the party (as defined by the serious trouble which lack of action was perceived to await the Liberal Party in Quebec in the wake of the Parti Québécois victory) were put ahead of the regional and departmental interests of ministers other than Mr. Chrétien.

3. Multilateral Trade Negotiations

The current Multilateral Trade Negotiations or Tokyo Round, begun in 1973 with the purpose of further liberalization of trade barriers, are pursuing this objective through seven negotiating groups, in which all countries are allowed to participate. These groups are those on tariffs, non-tariff measures (with sub-groups on subsidies and countervail, government procurement, standards, customs matters and quantitative restrictions), agriculture (with sub-groups on grains,

meat and dairy products), safeguards, sectors, tropical products and the framework group (special problems of developing countries). Outputs, if the MTN is successful, are expected to be in the form of codes of behaviour (for non-tariff measures), commodity agreements (agriculture), new legal instruments (safeguards), and a linear tariff cutting formula coupled with negotiated exceptions lists.

To date (summer 1978), only two "outputs" have actually come out of the MTN - the Western countries' tropical products tariff offers to developing countries (in April 1977) and agreement on the so-called Swiss formula for linear tariff cuts (January 1978). Tariff exceptions lists have been tabled and are currently being negotiated, but have not been made public. Many news reports contend that agreement on standards and procurement codes is close, but these have not been made public to date. The complexity and scope of the issues before the MTN account for the fact that this Round, already the longest of the seven GATT negotiating Rounds, is not expected to wind up until 1979, when the U.S. President's negotiating authority under the Trade Act of 1974 lapses.

Our description of the MTN policy-making process in Canada is inevitably influenced by the fact that to date there have been so few "outputs" to analyse, as well as by the fact that so many of these events are shrouded in secrecy.

The outputs of the Canadian government decision-making process that we are able to consider are the tropical products offer, the tabling of a Canadian request list (which can be seen as Canada's goals for the negotiations), and the decision in early 1978 to accept the Swiss tariff cutting formula. What we will say about the process of Canadian decision-making will concentrate therefore on tariff matters, and we recognize that our conclusions may not hold for other issues.

a) Subsystem Structure

A quite formalized institutional structure has been set up to prepare Canadian participation in the Multilateral Trade Negotiations, and the structure has periodically been adapted to meet changing circumstances. As was the case during the Kennedy Round, a Canadian Trade and Tariffs Committee was established in late 1973 as a channel for the communication of interest group views and demands relating to the negotiations. Well over 400 briefs have been submitted since 1973 and a large number of meetings with interest associations have taken place. The CTTC is in fact an interdepartmental committee at the ADM level assisted by a secretariat and comprising the departments of Finance, ITC, DEA, CCA, Agriculture, EMR, Labour, DREE, Revenue, PCO and the Head of the Canadian delegation in Geneva. Other departments periodically attend meetings according to the subject of discussion. A second information gathering mechanism (though it is more than this) is the Federal-Provincial Committee of Deputy Ministers of Industry. The creation of this committee was a compromise with the provinces, several of which had wished actual provincial representation on the Canadian delegation.

Information gathered by the CTTC is fed to the departments, which perform the real review function towards preparation of offer, request and exceptions lists, and adjusted lists after negotiation. Most of this sector-by-sector analysis of the implications of various negotiating scenarios on Canadian industries is performed by Finance and ITC, both of which as the negotiations have picked up speed have armed themselves with special ad hoc internal instruments - the "mini-prep. com." in ITC and the office of General

Director of International Trade and Finance Branch at Finance.

An informal division of labour has developed where ITC concentrates on the export interest or request list and Finance on the exceptions list, but this concentration should not be overestimated since officials of the two departments, as well as External Affairs, have been in constant communication.

The reports, studies and position papers arising out of this review function are then taken up in an interdepartmental committee whose role it is to forward recommendations to Cabinet for decision. Until 1977 this committee was called the Trade Negotiations Coordinating Committee, and was chaired by the Undersecretary of State for External Affairs, largely as a compromise between the competing wishes of Finance, which had chaired the equivalent committee during the Kennedy Round, and ITC which alluded to the Industry, Trade and Commerce Act to bolster its claim to leadership. The TNCC had as members the full range of departments but in fact the full committee seldom met: the real operating members were Finance, DFA and ITC according to the "3 plus 1" principle whereby other departments were consulted according to the subject matter. In the spring of 1977, this committee was replaced by the Office of the Canadian Coordinator for the Multilateral Trade Negotiations, headed by Mr. Jake Warren, a former Deputy Minister of ITC. Mr. Warren reports directly to Mr. MacEachen, chairman of the ad hoc Cabinet Committee on the MTN, and thus the formal link with External Affairs was severed. The essential role of the Warren group remains the same as the previous TNCC: to forward recommendations to Cabinet for approval and to coordinate interdepartmental activities, but it is believed to be

more effective given the new specialization of labour in the Coordinator's Office and the special Cabinet Committee. This Cabinet Committee includes sixteen ministers, balanced according to both departmental and regional criteria.

Mr. Warren's office has become a key link between the federal and provincial bureaucracies, private sector associations, Cabinet and the delegation in Geneva. Since Warren also chairs the Federal-Provincial Committee of Deputy Ministers, Ottawa interdepartmental discussions now are more likely to reflect provincial views. As far as the Coordinator's decision-making role is concerned, interviewees disagree as to whether the Department of Finance has "lost power" on tariff decisions to Warren. It seems doubtful that an office of 4 or 5 people such as Warren's can compete with Finance and ITC in expertise, and doubtful as well that the Minister of Finance would want to relinquish his authority over tariffs to a senior bureaucrat. But it is clear that Mr. Warren, who is himself a former Deputy Minister of ITC and highly expert on trade matters, has become a very influential man, in terms of substantive decisions as well as coordination of actors.

b) Subsystem Process

Canadian goals at the Geneva negotiations arose out of an analysis of the structure of barriers facing potential or actual Canadian exports. In the domain of tariffs, Canada faces somewhat unique problems. In contrast to most other industrial countries, Canada's dutiable exports face primarily low tariff barriers, some 90% of which are under 5%, while Canadian tariffs on imports average well above the OECD average (14.2% as opposed to 9% in the EEC, 8.9%

in the U.S.). But there remain two significant barriers to Canadian exports. First, in spite of the low duties on Canadian exports, these duties constitute on the whole very effective barriers because of escalation on further processing and because effective rates as compared with nominal rates are high. Beginning with the Kennedy Round, the parties to GATT have accepted linear tariff cutting formulae as the only practical route to trade liberalization. But linear cuts pose greater problems for countries such as Canada and Australia with primarily resource based exports and largely weak manufacturing sectors, since linear cuts of say, 50%, on the higher tariffs of Canada and Australia would entail a significant increase in import competition for the weak sectors while equivalent percentage cuts in the lower range would not remove the great effective protection based on escalation or would leave nuisance duties. Canada was able during the Kennedy Round to obtain a waiver on the linear formula, but it has been clear all along that the other GATT members, particularly the EEC and Japan, would not be willing to absolve Canada from linear cuts this time out, and Canada decided not to seek an exemption. In January 1978, the so-called "Swiss formula" was adopted by the MTN participants as the working hypothesis for negotiations. The Swiss plan envisages a 40% linear formula with negotiation over exceptions lists and aims at cutting high tariffs more than low ones. This formula was really a compromise between the EEC desire for a lesser formula cut plus a large degree of harmonization of lower and higher rates and the American wish for a larger formula cut with less harmonization, since the U.S. has some remaining high

peaks. The resultant compromise poses significant problems for countries such as Canada.

Second, Canada's ability and willingness to accede to a 40% linear cut will depend in great measure on her ability to gain concessions from the rest of the world on non-tariff barriers, particularly EEC government procurement policies and American countervailing duty legislation and greater than formula cuts in certain key sectors.

The Canadian government announced in January 1978 that:

The Canadian capacity to achieve overall reciprocity in the negotiations will depend to an important extent on the elimination or substantial reduction of many numerically low tariffs... on the degree of success achieved in eliminating, reducing and bringing certain non-tariff measures under more effective control and on willingness of other participants to meet Canada's objective of a greater liberalization of tariff and non-tariff barriers in the key resource-based sectors of Canada's export trade (non-ferrous metals and forest products).¹

Canadian objectives for the negotiations thus amount to the achievement of reciprocity between the 40% tariff cut and certain measures to compensate for this loss of protection (i.e. the elimination of under 5% tariffs, NTB controls and some use of the "sector approach"). There has been a broad consensus in the Ottawa trade policy-making community on this score throughout the course of the Geneva negotiations. Differences of view have however arisen over both negotiating tactics and what actors are willing to concede in order to maximize these goals. The Department of Finance was less enthusiastic in the early stages of the negotiations about the desirability (on saleability grounds) of the "sector approach" than ITC and External and tended

to favour an approach which would put somewhat more emphasis on the attainment of competitive conditions in Canadian manufacturing industries than did the sector approach. As the negotiations have proceeded, Finance appears to have been right on the tactical question in that the Europeans and Japanese have refused Canada's sector approach outright and the issue has become a secondary one.

The second major area of differences of view concerns the concessions necessary to obtain export objectives, revolving around the tariff exceptions list. The initial Canadian offer and exceptions list involved little disagreement, since it is in the nature of initial positions at MIN's to table an "ideal" package. Once the serious horse-trading begins however, disagreements arise on exceptions lists, particularly as the passing of offers and counter-offers proceeds between countries. The major cleavage proved to be between the Department of Finance, relatively strict in its criteria for putting a product on the exceptions list, and the sector line branches of ITC, most of which favour longer exceptions lists in their sectors (tending to wish some other sector to "pay the price"). Cabinet ministers have also differed as to their relative nervousness about opening up various industries to competition, often on regional grounds. The sector branch - Finance disagreements on tariffs became most intense when in April 1978 the United States made what is generally considered a rather generous offer to Canada, in expectation of reciprocity by Canada on products and issues (such as the machinery program) of great interest to the U.S. Finance officials are more inclined to wish to reciprocate than ITC's sector branches.

Given these differences of view, one might expect a policy-making process based on conflict leading to compromise in line with the governmental politics model. Certainly there is a great deal of controversy in the private sector about the MTN and provincial governments have pressed strongly for their regional interests.

But we do not find that interaction between bureaucratic and Cabinet actors in Ottawa reflects precisely these societal conflicts, nor have ministers and officials taken hard line positions in defence of their preferences. Most actors have exhibited a conscious will to accommodate competing concerns in a spirit of compromise — an approximation of our accommodation model. Several factors would seem to account for this situation:

- i) everybody recognized the impossibility of an extreme protectionist position, as for example rejecting the Swiss 40% formula, for a country such as Canada. Even otherwise protectionist actors realize that the retaliation costs of non-participation would be too great if the major powers have agreed to the formula;
- ii) the nature of multilateral negotiations is such as to favour accommodation rather than conflict. In multilateral negotiation contexts, because in contrast to the isolated tariff decision virtually everything in the economy is on the table, the special interest departments are forced to take a broader view of the situation than in the isolated case. Departments such as Agriculture and Fisheries must attempt some reconciliation of the competing interests of their export-oriented and import competing sectors and Consumer and Corporate Affairs takes less hard-line free-trade

positions. ITC's sector branches face a similar situation. Ministers are forced to attempt an accommodation of their department head, regional-constituency, and party roles where none predominates. Mr. Horner, a free-trader by inclination has become a "fair-trader" in the MIN; Mr. Chrétien has shown less protectionist leanings on the MIN than in many isolated cases such as those involving textiles. And the several ministers of CCA have recognized that political and regional considerations must be given equal weight to the biases of the "departmental mission".

In fact early on in the negotiations, a Cabinet decision formalized the accommodation process: bureaucrats were directed to find solutions based on accommodation so that packages reflecting conflicting pressures could be recommended to Cabinet for approval. The process has thus emphasized interdepartmental problem-solving rather than interdepartmental conflict.

iii) the fact of negotiation with other countries which are more powerful negotiators than Canada and the high stakes involved have in addition encouraged a form of patriotism which favours accommodation over narrow concerns.

iv) the MIN outputs we have been considering are primarily tariffs. The fact that tariffs fall under the responsibility of Finance, a department without ties to any one interest in society and which must balance the competing macroeconomic effects of tariff changes (e.g. inflation, unemployment) in any case, encourages accommodation. We might add too the useful mediating role of External Affairs and later Mr. Warren between Finance and ITC in the negotiations.

NOTES - CHAPTER X

- 1 Office of the Coordinator, Multilateral Trade Negotiations,
"Canada Tables Statements on Participation in the MTN", News
Release, 19 January 1978.

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amounted to a crisis situation where ministers, who otherwise might have bargained with Mr. Chrétien on regional or departmental grounds, set aside these considerations. Although this particular research did not do so, it would be most interesting to see a case study undertaken to determine whether external trade crisis situations, such as the 1971 U.S. surcharge, are also associated with similar shared image responses.

As for the governmental politics model, we conclude:

i) The more dimensions there are to an issue, the more departments and ministers are likely to be involved in a decision, and the greater the scope for decisions to be the unintended result of bargaining. The classic case is probably the "standard" low cost import situation, where almost all conceivable considerations happened to be present: employment vs. consumer interest, regional differences of interest, the question of economic efficiency and optimum allocation of resources, domestic priorities vs. international obligations, and the moral-diplomatic dimension:

a) as a corollary to our first point, a high level of interest group lobbying is usually associated with governmental politics. The contrast between the low degree of lobbying over the GSP before 1974 and the much higher level after 1974 seems illustrative. This lobbying appears to push the special interest departments, as well as ITC, Finance and External, into taking more hardline positions. But the nature of these representations should not be such that any one group overwhelmingly predominates -

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Chapter XI: SOME CONCLUSIONS ABOUT TRADE POLICY PROCESSES IN CANADA

In this section we shall attempt to summarize the preceeding analysis in the form of conclusions about the trade policy-making process in Canada. We employ the term "conclusion" here because our statements of probability are relatively tentative, in contrast to what is implied by the term "proposition". All of these conclusions moreover are qualitative in nature, and it would thus be difficult to make very confident predictions based on them.

This said, it would be useful to set down conclusions in two major areas: a) the conditions which seem requisite to the functioning of our three models of decision-making and b) the power relations between the various governmental actors.

1. The Operation of the Three Models

We have observed that our three models, which describe patterns of interaction between governmental actors and which allow us to explain given decisions, have all operated at various times in the 1968-78 period of Canadian trade policy. We would now like to suggest several conclusions concerning the conditions which seem to favour the operation of each model.

Dealing first with the rational actor model, we would argue that in trade policy (though not necessarily in other areas), the major condition is that the party interests of ministers should be perceived as the predominant consideration in an issue. Shared images on trade questions are virtually impossible on departmental grounds and very unlikely on regional grounds. The case of clothing quotas in November 1976, preceded by a summer and fall of unusually high interest group agitation dominated by one of the interests and the election of the Parti Québécois,

amounted to a crisis situation where ministers, who otherwise might have bargained with Mr. Chrétien on regional or departmental grounds, set aside these considerations. Although this particular research did not do so, it would be most interesting to see a case study undertaken to determine whether external trade crisis situations, such as the 1971 U.S. surcharge, are also associated with similar shared image responses.

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otherwise rational actor style shared images seem likely to emerge among ministers.

b) as a second corollary, governmental politics seems more likely when departmental participation patterns are based on the formal interdepartmental committee approach with the full range of departments represented.

ii) The model is more likely to be operative when the responsible minister has a relatively open mind, as was the case on low cost imports with Mr. Gillespie as opposed to Mr. Chrétien. Open-minded ministers will thus allow more bargaining at the bureaucratic level and in Cabinet.

iii) Governmental politics seems more characteristic of those fields for which ITC is responsible than Finance. In the case of quantitative restrictions, for example, there are more aspects to bargain over (e.g. growth rates, base levels, type of Import Control List instrument) than is the case with tariffs; ITC is more internally divided and its sub-groups tend to seek allies elsewhere; quantitative restrictions tend to be contemplated in the most sensitive and multi-dimensional issues; and the minister of ITC normally has less personal authority than the minister of Finance.

Regarding the accommodation model, these processes seem more likely in the following circumstances:

1) Restricted departmental participation patterns (such as "3 plus 1") favour the workings of accommodation, although they do not guarantee it.

ii) Fields where the Department of Finance is responsible are more likely candidates for accommodation than those within ITC's responsibility, although even here governmental politics can occur (eg. GPT since 1974). The authority of the minister of Finance and the general perception of the department as objective and relatively free of particularist ties tends to encourage most other ministers and departments to avoid hardline positions.

iii) Accommodation seems more likely in contexts like multi-lateral negotiations where both a sense of patriotism and an "aggregation effect" (where all sectors are on the table and trade-offs of opportunities and concessions can be made) than in the situation of isolated interest group representation. The aggregation effect can also apply in situations other than multilateral GATT negotiations. In the formulation phase of the GPT, a large number of tariff items were under consideration and there was plenty of room for non-conflictual give and take between External and ITC (for example, External "got" agricultural concessions in exchange for further exclusions of manufactured goods for ITC). This type of accommodation is of course more difficult to achieve in the isolated one-product case.

2. Power Relations between Government Actors

The foregoing section concerning conditions for the applicability of the three models essentially describes what factors determine how actors behave and interact. Since our ultimate purpose is to explain decisional outcomes, it would be useful to explore the factors influencing "who wins" in these interactions. To do so we should

consider the power relations between governmental actors.

A rough measure of power relations between actors is the comparative influence of actors in bargaining and accommodation situations (power relations being less relevant in the case of shared images). At the bureaucratic level, it would seem reasonable to conclude from our research that an official's influence in interaction with other officials is based on the following factors:

i) The legal responsibility of his department for the issue and related issues. The most important (and therefore influential) type of legal responsibility is that relating to an instrument of trade policy (e.g. Finance's authority over tariffs), but legal responsibility for related activities (e.g. treaty making and international agreements for External, domestic agricultural stabilization schemes for Agriculture, industrial incentives for ITC sector branches) is also a significant avenue of influence. Absence of any legal authority over trade instruments or related areas entails a sharp drop in influence, even when the department has a recognized interest in an issue (e.g. CIDA in the case of LDC trade issues).

a) as a corollary to point i), because they correlate to a great extent, a second source of influence is technical expertise in an issue area. Perhaps as important as the expertise itself is others' perceptions of a department's expertise. We find that there is general consensus (in other departments and Cabinet) about the expertise of responsible departments, and of Agriculture in its domain,

but mixed opinions regarding the expertise of most secondary actors and External Affairs.

b). following from the above, membership in the triumvirate is a source of influence, but for Finance and ITC more than External.

ii) The prestige, talents, independent power base and experience of ministers is another source of differential influence among officials, due in great part to the habit of anticipation of ministerial preferences. Although these ministerial qualities generally correlate with legal responsibility and expertise, sometimes officials without much power on these grounds will make-up for it, or sometimes departments with high levels of expertise will lose it, due to the qualities of their minister.

iii) The correspondence at any given time between a department's bias and the underlying social and economic conditions is also relevant. The influence of the anti-protectionist special interest departments for example is increased in periods of economic expansion.

iv) The political weight of a department's client groups in society has an impact, especially in determining the influence of secondary departments. The political weight of farmers is out of all proportion to their numbers and contrasts with the general weakness of those departments with international client groups, such as CIDA, and very weak domestic constituencies, such as CCA.

It is our conclusion that the above four factors constitute a first tier of factors of bureaucratic influence. There are others which we regard as of somewhat lesser import, but which

may prove determinant at the margin or in the event of neutralization of some of the above.

i) For secondary departments, alliances with other departments are important. Often, however, the effects of these alliances are neutralized by the tendency of the secondary anti-protectionist actors to revolve around External and the secondary protectionists to ally with ITC's sector branches. Given these two predictable alliances on most issues, the nature of the alliance at any given time may be more significant than the mere fact of alliance: our case study on the Low Cost Imports committee showed how the effectiveness of the anti-protectionist alliance was sometimes undermined by fissures within this camp, where CIDA and CCA often took positions much more extreme than External. The influence of this alliance in most post 1974 GPT withdrawal cases was on the other hand augmented by its relative cohesion.

ii) Divisions within a department as well as within an alliance can entail a loss of influence. Strong divisions between the Sector branches and the International Trade Relations Branch have on occasion reduced ITC's influence in interdepartmental discussions. The department of Agriculture has sometimes experienced similar difficulties.

iii) The perceptions of other actors as to a department's objectivity on trade issues affects the department's influence. Virtually all secondary departments, as well as the sector branches of ITC, are generally regarded as having an "axe to grind" and this perception limits their influence. In contrast, External Affairs, Finance and International Trade Relations Branch of ITC are seen as more open-minded and this probably makes other actors more receptive to their arguments.

iv) Bargaining skills may influence outcomes at the margin, particularly between the big three departments. As for skills of secondary departments in relation to the triumvirate, it is unlikely that even tactical brilliance in these departments can overcome the weight of legal responsibility, expertise, and ministerial prestige. Probably the most these secondary actors can do is to avoid making particularly unrealistic tactical errors, such as we observed in CIDA's and OCA's sometimes extreme positions in the Low Cost Imports committee.

Based on the above, it would seem possible to outline a hierarchy of departments in terms of influence on trade policy. We would argue that Finance stands at the top of this pyramid, based on its resources of legal responsibility, expertise, perceived objectivity, relative lack of internal division, lack of ties to particularist interests, and respected bargaining skill. In its own fields of responsibility, Finance's weight is overwhelming. What is more unexpected is that even on issues for which it is not responsible, Finance emerges as the full equal of ITC, due to ITC's internal division, lesser perceived objectivity and lower status minister. Finance may even on these issues be occasionally more influential than ITC. ITC, of course, would normally occupy the second position in this hierarchy. On agricultural issues however, it is probable that the Department of Agriculture would take over or at least be very close to second place, based largely on its enormous resources of expertise and the political weight of its client group. Third spot would normally belong to External Affairs, due primarily to its high status minister and lack of particularist ties (rather than expertise), but DEA slips to fourth place on agricultural issues. The lowest rungs on the hierarchy would be occupied by the protectionist special interest

departments and the secondary anti-protectionist departments, both of which lack most of the resources considered. It is difficult to say whether the one group is lower than the other: this would seem to depend on economic and social conditions, ministerial quality and bargaining skills.

The above remarks concern interaction between bureaucrats on trade issues. Most of what was said would apply at the Cabinet level as well: ministers possessing legal responsibility, expertise in their departments, and high personal status are obviously more influential across the board than other ministers. The chief difference between Cabinet and bureaucratic levels is that in particular cases the weight of legal responsibility may be overcome or at least modified in Cabinet by interventions based on political and regional considerations, because collective responsibility permits any minister to speak up on any subject. Of course, over the long haul these concerns will not outweigh resources of influence like legal responsibility, but in particular cases such interventions can be determinant. The other "wild card" in Cabinet is of course the prime minister whose interventions on trade matters are infrequent but usually successful.

Chapter XII: CONCLUSION: THE IMPORTANCE OF POLICY STRUCTURES AND INTERACTIONS

This thesis has described the trade policy making process in Canada during the period 1968-78. It is worth some discussion to pose the question as to whether and how policy making structures and interactions affect the quality and nature of outcomes. Does an analysis of the intragovernmental process add anything to the more traditional environmental, substantive and interest group approaches to explaining trade decisions described in our introduction? Do some structures and processes encourage protectionism or liberalization more than others?

7 It is our view that the traditional approaches, while containing valuable insights, run the risk of overlooking important factors, the most important of which is the independent force of policy structures and interactions between governmental actors in determining outcomes. For this reason we believe the "policy-making process" approach to explaining decisions to be a more comprehensive and less risky methodology than the substantive, environmental and political approaches. It does not ignore, in attempting to explain a given decision, these environmental, substantive and political factors, since the influence of such factors is bound to arise by tracing and examining in some detail the arguments and actions of actors in particular cases. But it goes one step further by bringing out the independent role of the interactions and structures themselves in determining outcomes - on the one hand, the compromises, power plays by forceful individuals and groups, tactical manoeuvres, stalemates, representation of organizational interests and massaging of egos that takes place in intragovernmental interactions, and on the other hand the different patterns of actor participation and types of structure.

It is our belief moreover, that in fact outcomes are significantly effected by the structures and interactions of the "trade policy process". Regarding interactions, Decision X (for the sake of example, the addition of an item to the Import Control List) can be partially explained in terms of environmental and political considerations, but examination of interactions should lead us to notice that a great deal of massaging of the basic decision (e.g. on growth rates, level of quota, rationalization conditions) took place. A classic international illustration of the importance of structures might be the difference between tariff outcomes in the U.S. between the era when the American tariff was determined in Congress and the recent period when Congress delegated much of this authority to the President. The period of congressional dominance tended to produce an overly protective tariff by magnifying the strength of local forces; a nationally elected President, once armed with tariff setting power, was able to achieve trade-offs based on a conception of the national interest. A classic Canadian case of the importance of structures might be the creation of specialized and independent review mechanisms such as the Tariff Board and the Anti-Dumping Tribunal which, to a large extent, depoliticized many tariff and dumping issues.

Examination of the policy process does therefore make a difference. Are we able on the basis of this research to say just what kinds of outcomes are implied by various structures and interactions? For example, are some structures and styles of interactions (i.e. models) more likely to lead to protectionist rather than liberal trade decisions? It is our conclusion that we are able to make some

fairly definite statements about the structures aspect of the policy process, but that our research does not seem to have generated as clear-cut conclusions as we originally hoped regarding the protection/liberalization biases of the models.

Dealing with the models (rational actor, governmental politics, accommodation) or style of interaction first, we are able to say that rational actor shared images are strongly associated with protectionist outcomes. The reason is that shared images on trade issues seem to evolve only in situations where the political party interests of ministers are clearly at stake, and that these stakes are most likely to arise from the agitation of protectionist interest groups and regions.

It is more difficult for us to say whether the operation of the accommodation model or the governmental politics model leads to more protectionist or liberal outcomes than the other. We did find that accommodation dynamics are more likely in contexts like multi-lateral and bilateral negotiations (because of the "aggregation effect") than in the isolated unilateral case and that multilateral and bilateral negotiations favour liberalization, but the determining factor here is probably the context rather than the particular style of interaction. As for the operation of governmental politics, conclusions are also unclear: this style of interaction can be associated with either liberalization (e.g. the massaging of additions to the Import Control List) or protection. The outcome seems to depend a great deal on what the position of the responsible department or minister is on a given issue, since governmental politics is to a great extent a matter

of watering down of the originating minister's proposals. If these proposals are protectionist, governmental politics will probably liberalize them somewhat, and vice versa. Until further research allows elaboration, we must conclude, for the present, that the analytic usefulness of the models lies more in the light they cast on explanations of decisions (by causing us to look at factors which might otherwise be missed) than as vehicles for prediction of outcomes.

We are able to make more confident statements about the protection/liberal biases of certain policy structures, however. Five such structural conditions might be emphasized:

- i) The context of decision-making: The isolated decision seems more biased in a protectionist direction, due to the workings of the "fragmentation effect", than situations where issues are linked, as is the case with multilateral negotiations
- ii) The composition of the Cabinet at any moment: It clearly makes a difference to the nature of outcomes what ministers are incumbent in the departments, what their views and styles of leadership are, and whether they are given the time to master their portfolios. Some examples were presented through the course of this thesis; the differences between relatively liberal and illiberal ministers of Finance, ITC and Agriculture, and the unusually low influence of Consumer and Corporate Affairs on trade policy during the period 1968-78 because of a rapid succession of ministers, are but two examples.
- iii) Which department and minister is responsible for a decision: There is probably less protectionist bias when the Department

of Finance, because of its responsibility for the general conduct of the economy and relative lack of particularist ties to interest groups, is responsible for an instrument of trade policy, than is the case with Industry, Trade and Commerce.

Alternatively, a greater liberal bias in trade policy was probably present in the 1960's when the Department of Trade and Commerce was not organizationally linked to the Department of Industry.

- iv) What actors beyond the "triumvirate" are involved: The degree of interest and participation of secondary departments will affect the protection/liberalization balance. We found that in the Interdepartmental Committee on the GSP after 1974 the anti-protectionist secondary departments of CIDA and CCA took a keen interest in proceedings, as compared with the relative lack of interest of the secondary protectionist departments (e.g. Labour) and this probably encouraged defeat or modification of proposals to withdraw items from the GPT.
- v) How the review function is carried out, and the legislation affecting the powers and duties of the specialized review mechanisms: More frequent use of the independent specialized review mechanisms as compared with departmental bureaucrats subject to political pressures would probably give something of a greater liberal bias to trade outcomes, particularly if all the specialized mechanisms were based on the Anti-Dumping Tribunal and Tariff Board models. In the case of the Textile and Clothing Board, such a bias would only come about by redefining

the powers of recommendation of the Board and ensuring stricter enforcement of Section 18 of the TCB Act.

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