

checklist of questions, grouped by areas of decision, is given in annex B. How these questions would be decided could only be known at the conclusion of negotiations. On the basis of previous inquiry by the authors into the possible characteristics of a Canada-U.S. arrangement, however, it is reasonable to assume the following broad outline⁸:

For reasons given above, the free trade area appears clearly preferable to the customs union as the basic form of the arrangement. Rules of origin would probably be patterned after those used successfully by EFTA.

The important question of membership, that is, the geographical scope of the free trade area, will be discussed at greater length below.

Following the precedents of Benelux, the EEC, and the EFTA, commodity coverage would probably include all industrial products and raw materials. As an indispensable adjunct to free trade, especially with blanket coverage, the arrangement would be expected to provide various measures (such as adjustment assistance and prolonged timing) to help particular industries and producers meet the threats and realize the opportunities of a wider and more competitive market. Unless the participants were prepared to harmonize their agricultural policies, however, they would exclude this sector, at least at the outset, as did the EFTA.

The arrangement would probably shun explicit steps toward closer economic integration; but, as discussed above, it would include certain measures considered indispensable to insure that the benefits expected from free trade would not be counteracted by national policies, especially those with preferential effects. These steps might include certain rules of competition and, where necessary, facilities to insure that internal and external imbalances would not be remedied by abrogating free trade.

The common institutions (council, secretariat, etc.) would, like those of the EFTA rather than the EEC, be as simple as possible and would not have scope to act supranationally.

The timing arrangements incorporated in the treaty would need to include a transitional period as short as possible, but long enough to enable reinvestment and restructuring of affected industries and flexible enough to recognize special adjustment problems in certain industries and countries.

The question of membership requires fuller discussion, although the complexities involved and the contingent perplexities that could develop preclude our giving as clear an answer as for some of the other characteristics of a free trade area. In the event that the United States were to opt for the free trade area approach—the circumstances of which are discussed later—the most likely initial group of full members would consist of the United States, Canada, the United Kingdom and some other EFTA countries if they had not entered the EEC by then.⁹ Others interested in full membership

⁸ See two publications of the Canadian-American Committee of the National Planning Association (U.S.A.) and the Private Planning Association of Canada: Sperry Lea, "A Canada-U.S. Free Trade Arrangement: Survey of Possible Characteristics," and "A Possible Plan for a Canada-U.S. Free Trade Area," a staff study (1963 and 1965 respectively). The characteristics broadly outlined here reflect to some extent those developed in ch. II, "Choices Among Options," of the latter publication.

⁹ A bilateral nucleus of the United States and Canada is theoretically possible, and such a North American free trade area has sometimes been suggested as an end in itself. But, for somewhat different reasons, Canadians and Americans interested in mutual free trade appear to prefer a wider arrangement.