

ANNEX B

MAJOR QUESTIONS INVOLVED IN CONSIDERING THE POSSIBLE CHARACTERISTICS* OF A FREE TRADE ARRANGEMENT INVOLVING THE UNITED STATES

DECISION AREA AND MAJOR QUESTIONS

1. *Basic form.*
 - a. Choice between customs union or free trade area as each is defined in the GATT.
 - b. If customs union, method of determining the common external tariff.
 - c. If free trade area, method of handling the "origin problem."
2. *Geographic scope.*
 - a. Composition of the initial membership.
 - b. Provisions for the accession of additional new members.
 - c. Treatment of territories or countries having special trading relationships with member countries, (such as the Commonwealth countries have with the United Kingdom).
 - d. Whether or not the arrangement should be open-ended to potentially fully participating members, or to linking with established free trade arrangements.
 - e. Whether the arrangement should accept associate members (such as Greece and Turkey with the EEC) with special long-term transitional provisions.
 - f. Whether and how the arrangement might extend free trade on a one-way basis to developing countries.
3. *Commodity coverage.*
 - a. Extent of coverage among nonagricultural products (manufactures and industrial raw materials). This could be all inclusive (EEC and EFTA) or under a doctrine of "maximum possible coverage," permitting exemptions (Australia-New Zealand free trade area).
 - b. Extent of coverage among agricultural products and close derivatives. If covered, guidelines for common agricultural policies.
 - c. Handling of nonagricultural products with special situations (most naturally, petroleum).
 - d. Various forms of adjustment assistance, seen as an alternative to exemption from commodity coverage of products with acute problems.
4. *Economic integration.*
 - a. Purpose: Limited to providing meaningful free trade (EFTA), or undertaken for its own sake, or even to lead to political integration (original EEC purpose, apparently opposed by De Gaulle).
 - b. Approach to "rules of competition":
 - Handling of government aids to exports, production, transport, procurement, etc.
 - Restrictive business practices.

*These decision areas are explored in detail in Lea, op. cit. and "A Possible Plan for a Canada-United States Free Trade Area," op. cit. Choices for some of these questions are given under "Possible Characteristics" in sec. II of this paper.