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## Review of "Free Trade on the Prairies: The Implications of Canada-U.S. Trade Pact for the Three Prairie Provinces" by Steve Dorey

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**Free Trade on the Prairies: The Implications of Canada-U.S. Trade Pact for the Three Prairie Provinces.** Steve Dorey. Regina, Saskatchewan: Canadian Plains Research Center, 1989. 141 pp. Figures, tables, bibliography. \$12.50 paper (ISBN 0-88977-054-9).

This book is based on a study funded, in part, by the Canadian Department of Regional Industrial Expansion. The book provides a good insight into the Canadian positions during the Free Trade Agreement (FTA) negotiations, the concerns and expectations of key industry groups in the Prairies, and a good review of several quantitative studies that 74 estimated the impacts of bilateral trade liberalization in Canada. However, the conclusions of the book are not based on any one particular quantitative study.

The author's basic thrust is that in recent decades, the Prairie economies have become diversified and much less dependent on eastern Canada for industrial inputs and consumer goods, while the United States has become less competitive in manufacturing and in a wide variety of consumer goods. Consequently, the potential benefits of the Bilateral Free Trade Agreement for the prairies have been greatly reduced. Dorey argues that as a result of this Agreement, the Canadian government has to harmonize its policies with those of the United States, and inherent in this process are significant risks for losing the government support for the future development of the Prairie region.

Tariffs on the products covered in the bilateral Agreement will be eliminated over a ten-year period. However, the author argues that successive

governments in Canada have already brought down tariffs dramatically on key intermediate goods and generally removed tariffs on agricultural and mining inputs (p. 11). Further, it is argued that the Rules of Origin along with limitation on Duty Drawbacks and Waivers will limit the third country firm investment in Canada to serve the North American market (p. 12).

Dorey contends that the Canadian negotiators failed to win exemption from the countervailing and antidumping provisions of US trade law. The Agreement, however, provides for establishing a binational panel to replace judicial review in the US trade remedy process, and establishing a working group to draft new rules for bilateral trade over next five-to seven years. The petroleum industry appears to be a clear winner, mainly due to the limitations the Agreement imposes on the Canadian government power to regulate pricing (p. 107-8).

The bilateral trade pact will not lead to any substantial increase in grain trade between the two countries. The agreement permits grain trade between them as long as the level of subsidies in the exporting country is equal to or less than subsidies in the importing country. American grain exports into Canada are restricted to direct shipments to processors. The FTA calls for phasing out the two price system for wheat in Canada and eliminating the premium for Canadian malting barley growers (p. 25).

Dorey argues that the threat of countervailing actions by American producers is a major source of potential disruption and a serious impediment to expansion of the Canadian red meat industry to serve the US market on permanent basis (p. 26). "The Agreement does provide three improvements in access to the U.S. market for Canadian beef: exemption from the Meat Import law, exemption from the Agricultural Adjustment Act, and commitment to end the use of health standards as trade barriers in the meat sector" (p. 27).

The countervailing duty on hogs imported from Canada into the United States remains in effect. Hog imports into Canada are allowed as long as the hogs go directly to slaughtering plants. Poultry and dairy products, a potential source of large gains to Canadian consumers, were not covered under the Agreement. Tariff on processed foods is removed. Canada retained her right, under GATT, to operate both existing and new supply management pro-

grams. However, the United States is expected to continue to pursue the issues of state trading in grain as well as transportation subsidies with Canada at GATT talks and elsewhere (p.29).

The Canada-United States Free Trade Agreement has been buffeted in recent months by disputes over pork, lumber, meat, and durum wheat. At a time when United States is advocating freer and fairer global trade, the need for quick resolution of these disputes cannot be overemphasized. Dorey's book is useful in understanding the Canadian expectations and thereby can contribute to improve the political environments for resolution of these disputes. Bashir A. Qasmi, *Economics Department, South Dakota State University*.