

of origin, that increase the transaction costs of all firms, especially small businesses hoping to export. Because of the absence of uniform content requirements, it prevents the further integration of regional production — this at a time when global trade is increasingly driven by intra-firm transactions, strategic sourcing and transnational investments. And it creates unnecessary trade diversion when non-discriminatory liberalization should remain the overriding goal.

But perhaps the most dangerous aspect of this drift toward separate bilateral or regional agreements is the risk that they might solidify into exclusionary trading blocs. It is clear that the United States increasingly cautious approach to NAFTA expansion is fuelled in no small part by the protectionist forces in the Congress — forces just barely kept at bay during the difficult passage of the NAFTA legislation last year. A failure to open the NAFTA to Chilean or Argentine accession would certainly send a negative signal to other would-be partners that the prospects for future entry are limited indeed.

Such a signal, moreover, could well reverberate beyond the NAFTA. Brazil has already launched a proposal to use the Mercosur common market as the cornerstone of a South American free trade area. As a means of breaking down barriers in the region, liberalizing trade, and drawing countries into an integrated economic space, Mercosur represents a bold and imaginative step forward, one which Canada strongly encourages. Nevertheless, it does not require a great deal of imagination to recognize that, faced with a closed NAFTA door, the countries of Mercosur would confront even greater pressure to carve out their own markets and to formalize their own distinct economic space, possibly by erecting exclusionary walls. The danger then is that the dream of comprehensive hemispheric trade would give way to the *Realpolitik* of competing regional blocs — the "them-versus-us" mentality so antithetical to further trade liberalization.

What we risk missing at this critical juncture is the opportunity to articulate an overarching trade and investment policy for the Western Hemisphere: one which reflects the openness, energy, and dynamism of our economies; one which recognizes the creative synergy that can emerge from the marriage of developing and developed economies; and one which fundamentally embraces all countries willing to commit to more intensive, more comprehensive rules-based trade.

The NAFTA could provide the foundation for such a project. With the political will, it could be the base for a free trade association that could in time include countries throughout the hemisphere and beyond. With the right philosophical commitment, it could emerge as a new kind of economic association, one defined, not by geography, but by a collective commitment to deeper levels of free trade: the nucleus of a new global GATT-plus. The underlying idea would not be to replace the existing multilateral system — still less to set up a discriminatory regional bloc — but to establish a coalition of