

comprehensive, multilateral negotiating process. At the beginning of the process, a relatively small economy like Canada will not move this mountain. The decision to launch is a process dominated by the Triad: the U.S., the European Union and Japan. At this stage, we are primarily "takers", not "setters". And it is difficult to envisage the major players getting into a launch mind-set for at least two or three years.

3.3 The Bilateral Comprehensive Approach

A third option would be to seek to negotiate a comprehensive free trade agreement with another country, perhaps one of the dynamic emerging economies of the Pacific Rim or Latin America, or with Japan. Such an agreement would be consistent with Canada's GATT obligations. If successful, it could secure important market access gains for Canadian exporters of goods and services, while potentially establishing more expeditious dispute settlement procedures. A comprehensive approach could provide rules to better protect Canadian investors in the other market and to eliminate a number of right of establishment restrictions and trade distorting performance requirements often associated with foreign investment review procedures. A bilateral free trade agreement could provide Canada with preferential access to a dynamic market that few if any of our competitors would enjoy. And the bilateral comprehensive approach would facilitate the search for trade-offs that inevitably will be necessary to close the deal.

Nonetheless, there are several, perhaps intractable concerns, both substantive and practical, associated with this proposal. First, it likely overestimates our attractiveness, on our own, as a market for others. What is it about the Canadian economy alone that is so desirable and what are the Canadian access barriers that are of such concern that Japanese or Korean policy makers would undertake the difficult domestic policy trade-offs to negotiate in their more sensitive areas (which often are those of interest to Canada: for example, grains and red meats, lumber, financial services)? The U.S. became interested in a free trade agreement with Canada at least in part because we are their largest trading partner. We do not enjoy anything close to the same status with regard to Korea, for example.

Second, one of the fundamental reasons underlying Canada's decision to join in the NAFTA negotiations was to avoid the creation of a possible network of U.S. bilaterals in the western hemisphere. This "hub-and-spoke" approach would have led to a trading system in which only the U.S. would have enjoyed preferential access to various markets. Not only does this disadvantage Canadian suppliers of those countries, but it also allows the U.S. to portray itself as the preferred site for domestic and foreign investment for those producers and service providers desirous of selling throughout North America (and eventually much of Latin America). Canada's