

agricultural trade barriers. It would illustrate with action, not only with words, that the United States is committed to freer trade, and it would be a positive example to Japan and the EC for subsequent multilateral -- or, if necessary, bilateral -- trade liberalization. Thus, the United States has a strong interest in an FTA that specifically includes agriculture. However, to the extent that an FTA increases the likelihood of multilateral agricultural-trade liberalization, Canada has a very large interest in such an agreement as well. Whatever the gains to each country from removing the remaining agricultural-trade barriers between them, both would benefit even more from a multilateral reduction in trade restrictions. The complete removal of trade barriers in Japan and the EC, for example, would increase their imports of Canadian and U.S. feed grains by \$4-8 billion and wheat by \$1-3 billion.²

Third, a comprehensive trade agreement between Canada and the United States would make it more difficult for lobby groups in the various sectors to engage in socially unproductive "rent-seeking" behavior, by seeking exemptions, special considerations, and compensation.³

The nature of agricultural-policy harmonization that an FTA would require is less clear. It obviously would include open borders and equal market access for each country. But as current subsidy and countervail disputes in freely traded farm commodities such as hogs and small fruits suggest, this is not likely to be sufficient. Many other forms of agricultural protection exist within national borders -- including product and input subsidies, tax expenditures, statutory monopoly rights, and government expenditures on research, extension, and infrastructure -- most of which affect trade flows.

Policy harmonization is unlikely to extend to all of these policies for all commodities. However, the more significant among them, at least in