

both thought we had gained in the NAFTA. What's going wrong here, and what can we do about it?

Clearly, blunt and misdirected trade remedies are being used to constrain legitimate pricing behaviour within the free-trade area. Anti-dumping actions are no longer aimed at genuinely injurious pricing behaviour, but are used more for strictly protectionist purposes.

The results are higher input costs, reduced outputs, higher product prices, and more uncertainty in investment decisions for North American firms.

This, in turn, makes Canada, the United States and Mexico less competitive in other international markets, essentially downgrading or nullifying the rationale for a North American free-trade area in the first place. It prevents us all from getting the most from the increased efficiencies that should result from our North American free-trade area.

It is instructive to note that our overseas competitors have already grasped this nettle. Within the European Union, dumping laws have been eliminated. This is consistent with the strong European drive to get the most competitive synergies from their common trading area.

Similarly, Australia and New Zealand already regard commerce within their free-trade agreement to be domestic commerce.

What can we do about it here in North America?

For one thing, the three NAFTA countries have established two working groups to come up with answers by the end of this year to a number of important questions. For example:

- What definitions, thresholds and mechanisms can be used to counter inappropriate pricing behaviour in the modern North American context?
- Can we establish a more direct link between the pricing decisions of one firm and those of its competitors? And if so, what actions or compensation will actually remedy the specific situations?
- Should governments continue to focus on the pricing of individual products – the usual basis for trade remedy actions? Or should the focus be shifted to individual firms – the traditional approach of domestic competition laws?
- Should different sectors of the economy be treated differently at various points in their cycle, or should we still seek a "one suit fits all" approach?