

*Government Orders*

It is this central issue of the rules of trade that is the real acid test of the success or failure of the free trade agreement and now NAFTA. As the Leader of the Official Opposition argued recently, without a common set of trade rules to govern the North American market, Canadian exports will continue to face trade harassment.

What is to be done? Ironically it is the United States that has provided an opening for change even at this late stage by making a condition of U.S. implementation of NAFTA the parallel accords on the environment and on labour standards and possibly on import surges. The new Clinton administration has provided Canada with an unexpected opportunity to put forward its own conditions for ratification: a coherent definition of subsidies under which all three countries are prepared to base their trade laws and a firm commitment to replace anti-dumping action with a common competition and anti-trust policy.

Moreover, the ambit of the negotiations has shifted somewhat in Canada's favour. In 1988 it was Canada that was the *demandeur*, increasingly dependent upon an agreement with the United States, not the least because of the vast political capital which the Conservative government had invested in the initiative.

Now Canada is arguably the country least dependent upon the outcome of NAFTA and in the best position to threaten to put on the brakes. Why not use our leverage, as the Americans are doing so successfully with their parallel accords, to fashion an agreement which more accurately reflects Canada's long-term national interests?

Against the argument that no agreement on subsidies can be reached, especially in the time available, I suggest that one already exists under the umbrella of the still pending Uruguay round of the GATT. The Dunkel text contains a perfectly acceptable subsidies code that is modelled in part on Canada's own submissions which has already been endorsed in principle by the main contracting parties, including Canada and the United States.

Why not simply transplant this existing subsidies code from the Uruguay round into a parallel accord? It would accompany the NAFTA in something of the same way that the United States is proposing with regard to the environmental and labour standards.

The government has repeatedly argued that Canada should be wary of embracing the idea of a subsidies and anti-dumping code. This is a spurious argument. For one thing no one is advocating the abandonment of domestic trade remedy law. We are talking about defining a common set of procedures and rules that will establish parameters within which legitimate trade law can be exercised.

More to the point surely is the fact that the Canadian economy is far more dependent upon exports to the United States than the Americans are on exports to Canada. This alone makes a compelling case for seeking an agreement that curtails the arbitrary use of trade remedy law on both sides of the border irrespective of those isolated Canadian sectors that currently benefit from protectionist trade practices.

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NAFTA should be viewed as the beginning of a new approach to trade policy for Canada, and not as an end in itself. Armed with a new trading model based upon a core set of rules and procedures, Canada can move to extend free trade agreements to Japan, Europe, Australia and New Zealand all with the goal of making Canada the first truly open global economy in North America.

Beyond the discussion that we are having today of the NAFTA and behind that the free trade agreement with the United States, is how Canada equips itself to compete in an increasingly global market.

In a sense the free trade agreement and NAFTA may have accelerated what Canada will confront sooner or later and will certainly follow the successful conclusion of the pending Uruguay round of the GATT. In Canada the answer to what some see as challenges of the new global trading environment can also be seen as opportunities if we are adept enough at improving our competitive abilities.

By refusing to confront the need for root and branch reform of the way government services are delivered, the government has also refused to recognize the direct linkage between economic liberalization and the need for major domestic adjustment and reform.

As the Leader of the Opposition recently noted: "Trade agreements are not an end in themselves. The ultimate objective is to secure a better life for people. That means jobs with a future in industries with a future".