

*Government Orders*

In short, if Canada is to take advantage of globalization rather than merely be swept along in its wake, we must pursue a far more independent and aggressive trade and competitiveness policy. We have the opportunity to build the first global trade and outward-oriented economy in North America, not just by reaching out to Mexico, but by actively seeking freer trade agreements with our major trading partners, notably in Asia and in the European Community. The alternative is the current policy of drift toward a decidedly more uncertain future.

Even with regard to the North American free trade arrangements, the government's work is at best half finished. Only the most sanguine would argue that the Canada-U.S. Free Trade Agreement has lived up to the extravagant promises made by the government in 1988. Its central justification was to secure access to the American market in the face of rising U.S. protectionism yet a whole series of recent trade disputes from Honda automobiles to softwood lumber have demonstrated just how tenuous that access really is.

One of the principal reasons why the Liberal Party supported Canada's participation in the NAFTA negotiations was to correct shortcomings in the original Canada-U.S. Free Trade Agreement. We called for tougher environmental standards. We called for tougher labour standards. We called for an accession clause to make it easier for other countries to join and thus to expand Canada's free trade options beyond the United States and Mexico. Most important, we called for the inclusion of a subsidies and an anti-dumping code that would put an end to the kind of trade harassment that has been eroding the so-called free trade environment between Canada and the United States and which would introduce a desperately needed degree of predictability into our entry into the yet untested waters of Mexico.

In some important respects NAFTA did indeed represent an improvement on the original Canada-U.S. Free Trade Agreement. Its greatest—if largely ignored—achievement is the inclusion of an access clause. If treated as a serious provision in the future this single clause has the potential to transform NAFTA from a

continental bloc into a new and deeper level of world trading order, a GATT-plus if you will.

The NAFTA also promises to clarify the vexing question of rules of origin. Although this will emerge as a Pyrrhic victory, if in our efforts to appease the Americans over domestic content we merely succeed in driving additional overseas investment away from Canada.

There remains, however, a great flaw, the black hole if you will, at the centre of the NAFTA which threatens to undermine the success of the entire regime. That is of course the continuing absence of a common set of trading rules. Not only is there no definition of subsidies in the agreement nor a commitment to replace counter-vail action with competition law, even the free trade agreement's modest provision—it was a notably modest provision—to pursue these objectives within a specified time has been quietly dropped in the NAFTA to be replaced by a woolly commitment to pursue this goal in some undefined future consultations.

This is unacceptable. It is unacceptable because it ensures that the kind of trade harassment which we have seen in recent years over pork, softwood lumber and now steel will continue unabated. The argument that such actions only represent about 5 per cent of bilateral trade is surely spurious, given that such actions are typically launched against those Canadian exports which are enjoying some success, indeed growth, in the U.S. market.

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Most important, the absence of common trading rules is unacceptable because in the long run it will undermine the legitimacy of the entire arrangement. NAFTA is essentially a political document. Its authority ultimately rests not on what Bagehot once called the "dignified letters" of the text but on the support it enjoys among the electorate of the three countries.

Nothing has done more to undermine enthusiasm in Canada for the NAFTA or for the free trade agreement even among its erstwhile supporters than the highly public spectacle of ongoing, punitive and seemingly groundless U.S. trade actions launched against Canada during the four years since the beginning of the supposed era of free trade.