

especially when they appear to confer economic advantages. Indeed, already there are undertones of "system friction" in current trade tensions between the United States and Japan. One solution, of course, is to seek greater harmonization, to push nations toward uniform approaches to a variety of economic regulations and systems. Indeed, trade policy has already moved a considerable way in this direction in an effort to root out rules and regulations that serve as little more than hidden barriers to trade. But there are also dangers of travelling too far down a road toward harmonization, of trying too hard to "level the playing field." In so doing, we may well erase the very differences, strengths and innovations – the comparative advantages – that generate a free market. What a sad irony if in the name of greater freedom, including market freedom, we build the scaffolding for the universal homogeneous state.

An alternative is to recognize that economies, like societies, will always differ to some degree, and to try to create the institutions and rules that can allow these differences to co-exist while managing any tensions that may arise. Here perhaps we can learn something from a couple of European ideas: first subsidiarity, the notion that decision making and the administration of rules should be conducted by the level of government closest to the local community; and second the notion of mutual recognition whereby partner countries agree to accept a system of integration in which the rules need not be the same so long as they achieve the same ends. But to reach such a consensus it is clear that the future trade policy agenda will need to advance on an inter-regional – as much as an intra-regional – basis.

I suggested earlier that policy makers certainly cannot take all the credit for the movement toward global free trade. What we can do is ensure that the rules governing this new global reality reflect our mutual interests and are not simply imposed by the larger players. What we have, in other words, is a responsibility for ensuring that the transition to globalization is as fair and equitable as possible. This is not just a statement of principle for Canada; it is a statement of national interest.

Free trade in NAFTA has helped catalyze free trade in Asia, and will perhaps contribute to a stronger trade relationship with Europe – all reinforcing a global regime centred on the WTO.

Australia and Canada are well placed to help construct this new architecture. We, together, played a leading role in advancing the idea of a World Trade Organization in the 1980s. We have been active and creative partners in APEC. But beyond these initiatives, we are committed to an overarching ideal. The notion that the rule of law is the essence of civilization, both within and among nations, is central to our values. Remaining in