

North America has also begun to consolidate its own internal arrangements, partly in response to developments in Europe. For some, the recently signed North American Free Trade Agreement [NAFTA] is but the first step toward an exclusive, self-reliant hemispheric bloc--a way of securing America's economic hinterland in a world of rising competition and declining market share. Even for those who do not share this parochial vision, it remains true that North America's policy focus is shifting increasingly to the Asia-Pacific region, and to the fast-growth economies of the South China coast--and, if only implicitly, away from Europe.

The danger of this trend for Canada cannot be overstated. Europe remains our next most important economic partner after the United States, regardless of perceptions to the contrary. Last year our merchandise trade with the countries of the European Union was valued at \$25 billion, or approximately £14.5 billion. Britain alone is the third largest market for Canadian exports worldwide, the second largest importer of Canadian manufactured products, the second largest supplier of direct foreign investment, and so on. The paradox remains that if our foreign relations can be characterized by increasing indifference, even isolation, our economic relations are only deepening.

How do we rebuild a critical transatlantic bridge? No doubt there are a number of existing institutional tools such as NATO or the OECD that could be employed more effectively to further our mutual interests. However, if we are indeed living in an era when "political diplomacy" is giving way to "economic diplomacy", then any meaningful effort to strengthen relations between Europe and North America must be primarily economic in nature.

One constructive step would be to commit ourselves to a policy of "open regionalism", i.e., the notion that existing continental arrangements should be defined less by regional exclusivity than by a shared commitment to deeper levels of free trade--a GATT-plus if you will.

The new government of Canada supported the North American Free Trade Agreement on the understanding that the three members would work together to clarify the continuing and vexing questions of what constitutes a subsidy, of how dumping should be dealt with in a free trade area, and how the dispute settlement procedures might thereby be more prompt and effective. Such improvements in NAFTA would render it more open and accessible. Beyond that, however, Canada supported the North American Free Trade Agreement on the understanding that it would become just that--a non-discriminatory, comprehensive free trade regime fundamentally open to all countries prepared to abide by its rules and disciplines. A clear commitment to enlarging the NAFTA free trade zone, we argued, would not only expand market opportunities for existing members, avoid the proliferation of bilateral trade agreements that have begun to characterize the western