

front. This approach could also lend itself to ambitious work on a code of conduct defining fair rules of competition.

Such a possibility raises an intriguing question. Could a possible EU-North America deal provide the core of a new approach? Can we move further and faster toward free trade – and maintain the dynamic of competitive liberalization – while avoiding the inherently exclusionary nature of regional blocs? It is clear that regionalism has helped push the trade agenda forward in a manner and at a pace not easily achieved in the traditional GATT framework, but at some point it is reasonable to ask where all of these disparate paths are leading. Does the rapid expansion of NAFTA, APEC and the EU signal the triumph of regionalism? Or is expansion itself a sign that the regional blocs must ultimately build toward a more comprehensive trading order? Are we coming to the realization that global firms operating in global markets will sooner or later need global rules?

Sometime in the not-too-distant future we will need to confront the issue of how the various regional blocs interact and how, when rules and structures overlap, an eventual convergence might be orchestrated. In an ideal world, of course, all paths would lead back to the World Trade Organization – and indeed this remains Canada's objective. But at this time it is probably unrealistic to assume that the hundred-plus members of the WTO could, in unison, liberalize sufficiently to catch up with the regional blocs; it would be equally unrealistic to assume that the regional blocs would willingly open themselves up to the rest of the world on a strict most-favoured-nation basis. Not only would this fail to address the issue of "free riders," it might even weaken the competitive dynamic that is helping drive the global trade agenda forward.

There is another approach. Since we are committed to free trade in the Americas, free trade in APEC and possibly free trade with Europe, at some point there is potential for a new trade arrangement that bridges all the blocs – a kind of WTO-plus. Membership in such a grouping would depend not on region but on a willingness to commit to more intensive, more comprehensive rules-based trade and investment. One obvious advantage of this approach is that it would iron out many of the complexities of a world of multiple free trade agreements. At a minimum we would go a long way toward ridding ourselves of an increasingly complex patchwork of rules of origin. The continued existence of low tariffs, coupled with rules of origin, impose a transaction cost on cross-border trade out of all proportion to the purported benefits to protected industries. It is time to acknowledge that the era of the tariff is finally over, and to get on with other, more pressing and difficult issues.