

coverage (e.g., with regard to intellectual property rights and trade in services). Third, a new agreement started from scratch would engage us for the third time within a decade in a fairly detailed negotiation with the U.S., thereby potentially reopening the balance reached in the FTA and the NAFTA that safeguards Canadian sensitivities.²⁹

A second option would be for each NAFTA country to negotiate a separate bilateral free trade agreement with the MERCOSUR, recognizing that the latter is a customs union that would hope to negotiate as a unit. This approach could be seen as a parallel to the pattern developed in Europe whereby individual members of the European Free Trade Association (EFTA) established separate arrangements focused primarily on tariff preferences with the European Union - the more comprehensive, ambitious regional agreement in that instance. The possible defects of this approach in the Americas are several.

First, the U.S., given its economic weight in the hemisphere, would likely negotiate a better result than Canada could acting on its own. An asymmetrical result favouring U.S. access to the MERCOSUR market would not serve Canadian interests in the region. Second, it is not at all clear that the EFTA example is germane. In the European case, the EU was not only a customs union, but also a much more comprehensive association than EFTA and by far the biggest market and source of investment. In the western hemisphere, the NAFTA countries are the "jewel in the crown" - comprising the most prosperous and dynamic sub-regional unit and the group most committed to comprehensive economic integration and cooperation. From this perspective, it is the MERCOSUR countries that should logically seek association with the NAFTA and not the reverse.

Finally, Brazil laboured hard for higher CET rates when these were being negotiated with its MERCOSUR partners and has subsequently violated even these levels with higher tariffs and, with regard to motor vehicles, quotas because of concerns over imports from North America and Europe in particular.³⁰ It has also been reluctant to engage internationally on deep liberalization with regard to investment,

²⁹ The U.S. propensity to seek further concessions in areas such as intellectual property rights was revealed yet again in a proposal made in the late July 1995 negotiating session on Chilean accession to the NAFTA. The Canadian and Mexican delegations rejected the U.S. proposals. See *Inside NAFTA*, Vol.2, No.17 (Washington: August 23, 1995), pp.1, 15-8. Such prodding is manageable in a NAFTA accession process, but would be considerably more difficult to contain in a multi-party, *ab initio* negotiation in which the FTAA is constructed from scratch.

³⁰ See section 2 above.