

US negotiators had waited until after the September 10 Ontario election before declaring their interest in having the auto pact part of the negotiations. Mr. Peterson said that the US move had come as a surprise, since, only two days earlier, Canadian officials and members of the Canadian automobile industry had said that the auto pact would not be placed on the bargaining table. The Prime Minister said after the meeting that "There are many important stumbling blocks," and, while the premiers believed that "an acceptable agreement remains achievable, [in the talks] Canadian concerns have not been, in our judgment, appropriately addressed in some important areas." In Washington, a source quoted by the *Globe and Mail* said that US negotiators "can envision" a panel that issued binding decisions in certain trade dispute cases; however, the US was not prepared to accept an across-the-board mechanism for binding arbitration on all trade disputes, the source said. Meanwhile, the Prime Minister and the premiers agreed to meet once more before the October 3 deadline (*Globe and Mail*, September 15).

The *Wall Street Journal*, in a September 14 editorial, called the potential free trade accord "a rare burst of sunshine" in the trading world, and suggested that it was time "for the Reagan administration to get serious and start pitching this agreement as the political and economic bonanza it is." The editorial went on to state that US citizens "like Canadians, and we doubt most of them would object to an agreement that can be described as a boon to the general interest." A free trade agreement with Canada, it added, would be a good way of forcing the "fair traders" to prove their claims of only wanting US industry to get a fair shake in the international marketplace, rather than being closet protectionists.

Further editorial support for a free trade agreement came from *The Economist*. "A free trade pact, sewn up before the American congress regains the right to discuss it to death, would safeguard Canada's access to the American market," the editorial read. "For America, it would show that countries can agree on rules covering trade in services, direct investment and the transfer of intellectual property — which is what it wants the next GATT round to do . . . [On the Canadian side the] old timidity is flooding back," it continued, and "many Canadians fear that their culture could be swamped." Yet, "what could be more sensible than free trade between two countries whose people mostly speak the same language, whose common border is about twelve times as long as the inhabited part of one of them is deep, and whose citizens cross that border without passports?" If the talks failed because some US congressmen were protectionists, the editorial concluded, "the failure will say: forget the new deal that America wants with the 91 other members of GATT, it cannot even negotiate the basic ingredients with its friend and neighbor to the north" (*The Economist*, September 19-25).

The Prime Minister said on September 18 that by September 23 he would know from Simon Reisman whether or not an agreement would be reachable, and added that "I certainly wouldn't want to exclude the possibility of getting together in the future" with US President Ronald Reagan, should it be necessary to improve a deal

made before the deadline. Mr. Mulroney also said that the provincial premiers would be asked at a late December meeting to accept or reject a free trade deal, and if they did accept it, would be expected to sign a document showing their intent to live by the provisions of the agreement (*Ottawa Citizen*, September 18).

On September 19 the *Globe and Mail* reported that some of the most vocal of free trade supporters in Canada were suggesting that Canada's objectives in the negotiations could be met without a dispute settlement mechanism as part of the agreement. John Crispo, professor of management studies at the University of Toronto, said, "Ideally I would still love to have [a binding tribunal]. What I have to recognize is that it's not on for political and practical reasons," since the US congress would not surrender its sovereignty over trade policy. Murray Smith, director of the international economics program at the Institute for Research on Public Policy in Ottawa, said, "What is needed is a way to bridge the gap between the US belief that a tribunal should be simply advisory and Canada's desire to replace the existing trade laws of the two countries . . . If the US can accept that the tribunal can stop complaints if they fall within the guidelines, then in an operative sense that is binding from the Canadian point of view. Then it's just a question of whether Canada can sell it politically."

Prime Minister Mulroney's chief of staff, Derek Burney, Finance Minister Michael Wilson and Canadian ambassador to the US Allan Gottlieb met US Treasury Secretary James Baker "secretly" for political consultations during the previous weekend, a September 21 *Globe and Mail* report said. Negotiations resumed in Washington on September 21. International Trade Minister Pat Carney described the issue of a binding dispute settlement mechanism as central to the crucial 3-day session. She defined "binding" as "something that reduces uncertainty" so that any agreement was "not being nibbled to death. What the form of that mechanism is has not been really defined in a complete way. There are various models," the Minister said. "[What is necessary is that a system have] clear rules and an impartial referee and everyone has to honor the agreement. If you're offside and you don't conform to the rules, you're going to get a penalty . . . It is simply going to be hammered out this week or we're going to pick up our puck and go home" (*Globe and Mail*, September 21).

On September 22, amid rumors that the auto pact was being negotiated in Washington, the Prime Minister told the Commons, "We are not now negotiating the auto pact. If, however, the Americans have some ideas that can contribute to jobs, greater wealth, greater prosperity for both sides, then of course we'll listen. That has not yet been broached by the Americans at the table and if indeed it does, I will be happy to confirm it."

The free trade negotiations received encouragement from the C.D. Howe Institute, which had long been in favor of such an agreement, on September 22, when a paper co-authored by University of Toronto professor of international business Alan Rugman and economist Richard Lipsey was released. Canada could still get what it wanted from a free trade agreement, the paper said, without a binding mechanism to settle trade disputes, since a joint Canada-US