

What will happen to a small country such as Canada, if it agrees to trade freely with a large country such as the United States? Canadians worry that the forces that would be set loose by a "free trade" agreement with the United States might seriously erode Canada's political and cultural sovereignty and social integrity. More specifically, the issue is: Will the forces set up by a free trade area (FTA) agreement impel Canada to harmonize its policies with those of the United States in ways that seriously reduce Canada's policy independence in some key dimensions? We understand harmonization to mean to "force Canadian policies to become more similar to, or in the limit become identical with, U.S. policies in the same area."

Negotiating an FTA should not be confused with the laissez-faire mythology evoked by the term "free trade". In the free trade caricature, virtually any government policy is regarded as a nontariff barrier. Canadian governments thus would have to conform to a nineteenth-century model -- which only Hong Kong comes close to approximating among modern societies. The General Agreement on Tariffs and Trade (GATT) has rules about FTAs and modern examples exist of such arrangements, including those between former members of the European Free Trade Association (EFTA) -- Sweden, Norway, Austria, Switzerland, and Finland -- and the European Community (EC).¹ A more recent example is the Australia-New Zealand Closer Economic Relationship.

Any international agreement constrains the signatories' independence in some way. An FTA between Canada and the United States would constrain each country's ability to erect trade barriers; that is the purpose of the agreement. Many Canadians fear, however, that such an agreement would mean that because of the relative sizes of the two countries, Canada's policies would have to be harmonized with those of the United States and further, that harmonization would be necessary beyond the sphere of trade policy. The fact