

*Government Orders*

However, there are signs of late that Canada is being deflected from its traditional trade interests. Of immediate concern is the Canada-U.S. Free Trade Agreement which irrespective of whether it has produced the benefits that were promised, which the minister put before the House today, has had the undeniable effect of pulling the two national economies closer together, or harmonizing the Canadian with the U.S. This policy marked a significant deviation from Canada's traditional path, not because it promoted liberalized trade but rather, because it threatened to bind Canada even closer to the United States, to the exclusion of other countries.

• (1155)

Now we are being asked to extend what is in effect the free trade agreement to Mexico and potentially to other countries under a North American free trade agreement.

To the degree that such an agreement would liberalize Canada's trading relations within the hemisphere and encourage the region's development, this trend is to be applauded. Mexico boasts a population of over 85 million people, a degree of industrialization however segmented and imperfect, and geographic proximity to Canada, to production and to markets. Its economy is northward oriented.

We should not be led to believe, as the government has repeatedly attempted to assert, that at least in the medium term trade with Mexico will have a profound impact on our economy, positive or negative, or that it will serve to counterbalance our relationship with the United States. After all, only a small fraction of Canada's trade today is with Mexico.

It will be decades before the results make a significant impact on Canada's over-all economic performance. Even if our exports to Mexico double this year, they would still represent less than 1 per cent of our exports to the United States. This volume will, no doubt, increase in the future, a development we would welcome. However, given the global trends and the potential for rapid development in much of Mexico, not even the most optimistic supporters of NAFTA will pretend

that Mexico can rank as one of Canada's major trading partners for the next decade or two.

Nor can the government pretend that a free trade agreement with Mexico was high on our list of national priorities. Such an agreement is in Mexico's interests as a means of counterbalancing the trade diversion arising out of the U.S.-Canada Free Trade Agreement, of cementing its recent economic reforms, and of attracting scarce foreign investment. An agreement is also in the interests of the United States, if only to enhance the economic and hence political security of its southern neighbour and to stem the flow of the illegal immigration.

Canada, however, has been drawn into these negotiations only by virtue of our existing arrangement with the United States. To this extent we find ourselves in the anomalous and ultimately vulnerable position of allowing our trade and foreign policy agenda to be driven by the priorities of the Mexican and the United States governments, not by our own national interests.

Much of this underscores the contradiction to Canada's traditional interests implied in the whole trend toward regional trading blocs: the European Community, the North American free trade area and a more nebulous Asian bloc which is threatening to diminish Canada's economic and trade links outside North America.

The implicit danger is that these developments will undermine the incentive to preserve and enhance the existing multilateral system, a fear underscored by the apparent willingness of the United States and Europe to walk away from the recent Uruguay round of the GATT without reaching an agreement on agricultural subsidies.

Indeed it can be argued that regional trading blocs are a subtle aspect of economic imperialism, with three economic superpowers, the United States, Germany and perhaps less willingly Japan, each carving out a continental hinterland in an effort to preserve their industrial pre-eminence. It is worth recalling that Canada sought out a preferential trade agreement with the United States in the first place, not because the latter was intent on becoming more liberalized but, on the contrary because the United States was threatening to become more protectionist.