

against foreign subsidies basically in order to consolidate their market shares, their price-setting procedures and other oligopolistic practices.

The development of joint competition principles will require detailed and probably arduous negotiations. Joint rules should make it possible, first, as was the case in the European Union, to prevent bidding wars between public authorities in an effort to attract investment. These bidding wars can only undermine the benefits of trade liberalization, dangerously distort competitive conditions, drain the public purse, and compromise the development of disadvantaged regions, since they have fewer resources with which to attract investment.

## **7. Conclusion**

Proposals aimed largely at tightening and strengthening the rules governing determinations of injury by domestic authorities are likely to fail. The American government's essentially hostile view of subsidies leaves little room for optimism that the proposals advanced in this paper will be adopted within NAFTA. In fact, the United States has always insisted during trade negotiations, whether multilateral or bilateral, on reducing subsidies and toughening the provisions governing them.

Despite these difficulties, the strategy recommended in this paper remains the best one and the only one, we believe, which should be pursued. Since Canada needs both to counter the harassment of its exports by American interests and to retain as much of its ability as possible to pursue objectives in the national interest, Canada should attempt in the short and medium terms to focus basically on questions of injury and making some joint decisions with its NAFTA partners in this difficult area.

Since Canada will very likely have to compromise on subsidies in order to induce the United States to negotiate and agree to results that, on the whole, are favourable to Canadian interests, Canada should attempt to reduce these compromises to a minimum and ensure above all that the results of multilateral negotiations are respected, especially the exemption from trade remedies of subsidies serving crucial objectives such as regional development. A less defensive approach could be adopted by proposing limitations on assistance measures to attract investment to regions that are not depressed.

In order to optimize, or even guarantee, the benefits that could result from effective trade liberalization, the North American partners should develop, in the more or less long term, joint principles of competition. Joint rules would, in particular, obviate the need for trade remedies and bidding wars between various public authorities trying to attract investment.