

domestic economic policies with those of the United States more or less unchanged. In particular, those policy areas that Canadians consider to be important to goals of political and cultural sovereignty, high employment, and enlightened social programs are unlikely to be seriously affected -- although some specific cultural support policies may be subject to review. There may be some increases in harmonizing pressures in some policy areas, but these should be more than balanced by decreases in other areas. There are three main reasons for reaching this conclusion.

First, the high degree of economic interdependence between Canada and the United States already creates substantial pressures for policy harmonization. Without a change in the status quo, economic incentives exist for the migration of firms and skilled individuals, and Canadian policies will continue to be constrained by these economic forces. Furthermore, existing legal and political pressures, and the threat of unilateral actions by the United States to redefine "unfair trade practices", exert serious harmonizing pressures today.

Second, an FTA is designed to allow the partners to achieve the economic gains from expanded trade without placing them under the policy-harmonizing pressures that arise in the closer associations of a customs union or a common market.

Third, Canada's objective with respect to nontariff barriers in general, and countervailing duties in particular, is to make these measures come closer to fulfilling their real purpose of creating the conditions for fair trade and further away from acting as nontariff barriers to trade. This can be accomplished by agreeing on better, and more certain, definitions of what constitutes unfair trade. A greater degree of certainty on what is a countervailable subsidy, and some restrictions on the United States' ability to redefine the rules of fair trade unilaterally, would provide a major reduction in existing harmonization pressures.