

agreement is essential in the short term in order to guarantee Canadian companies security of access to American markets and to end harassment, we believe that Canada should opt for the strategy that seems most realistic, and hence most beneficial.

A key question that remains is how to prompt the United States to enter such negotiations, or, in other words: what could the American interest be in entering these negotiations? The main leverage that Canada has at its disposal to induce the United States to tighten the conditions under which trade remedies are applied is for Canada to eliminate, or at least reduce, the subsidies that irritate our American partners most and that affect investment. A number of these subsidies turn out, in actual fact, to be not very efficient or problematical because of the public deficit that is exerting mounting pressure on government budgets throughout the country. These subsidies include those to attract foreign investment through tax concessions of all kinds from various levels of government (federal, provincial [or state], regional and municipal). This even holds true for regions that could not be considered disadvantaged.

These kinds of subsidies, when used by American states, are also increasingly criticized within the United States. A recent study by the U.S. Congress pointed out that these subsidies or "incentives" had increased dramatically since the mid-1970s. In the automobile industry, the study reported on a veritable bidding war between various American states providing assistance to attract Japanese investors.⁴⁷ In the European Union, similar problems that arose in the early 1970s, involving American investments this time, resulted in the establishment of principles for co-ordinating regional assistance. Canada could refrain, in this regard, from remaining solely on the defensive by showing that it is ready to deal with the assistance measures that are most damaging to competition. Canada should take a positive approach and move forward with proposals, asking its American partners in return what proposals they are willing to make.

In regard to those subsidies that Canada believes to be essential and that affect regional development and research and development, we have seen that they cannot attract countervailing duties now, as a result of the multilateral negotiations. This outcome of the multilateral negotiations clearly cannot be called into question now. In addition, there are definite conditions for granting these types of subsidies, in order to avoid any possibility of trade remedies.

⁴⁷ See U.S. Congress, *Multinationals and the National Interest: Playing by Different Rules*, OTA-ITE-569 (Washington: U.S. Government Printing Office, September 1993), pp. 67-68.