

strengthening certain regional mechanisms. Two in particular come to mind: the Asia Pacific Economic Cooperation (APEC) forum and the NAFTA.

The APEC has been helpful in ensuring greater dialogue on economic matters between North America and east Asia. Nonetheless, suggestions to transform APEC into a legally binding instrument covering trade in goods and services, government procurement, investment, intellectual property, dispute settlement, or any one of these individually imply a major dedication of resources that we could justify only if the likely result were worth the effort, i.e., the maximizing of scarce negotiating leverage resulting in improved and more secure market access and better conditions for investment for Canada. Despite the recent APEC Eminent Persons' Group report and the support of a number of government officials in the U.S. and Australia, the option of proposing APEC as a negotiating forum suffers from two critical flaws from a Canadian perspective.

First, an APEC-based negotiation would entail that which we have already done twice: negotiating a carefully crafted, broad-ranging legal framework governing the main pillars of our economic relationship with the U.S.. Canada already has an arduously developed framework for many of the multiple aspects of our relations with the U.S.. That framework is the FTA as reworked in the NAFTA and related side deals. To engage in the negotiation on an APEC-wide investment instrument, for example, would expose us once again to renegotiating our investment relations with the U.S., including those areas where Canada retains policy flexibility (e.g., the right to screen foreign takeovers over a certain threshold, or to impose technology transfer performance requirements, as well as Canada's sectoral reservations to the non-discrimination obligations). The politically sensitive cultural industries exemption would again be in jeopardy. If the U.S. were to decide to pursue seriously a detailed APEC negotiating option, and if others appeared ready to participate, then we would want to look very closely at joining the process. But in light of the U.S.'s unfinished Canada agenda, there is no compelling reason for Canada to encourage such a root-and-branch option. The issue might be better framed as how to encourage the U.S. to continue moving forward on a freer trade track with the least exposure for Canadian sensitivities, not an easy task in the best of situations and one not facilitated by starting from scratch yet again through an APEC negotiating process.

Second, as the discussions in last November's Seattle Ministerial revealed, most APEC members are not ready to enter into an ambitious, comprehensive free trade project. Despite their export orientation and their generally favourable approach to foreign investment in practice, the ASEANs are suspicious and hesitant. Their own efforts at trade and economic integration have been painfully modest in practice. They have, moreover, played a disappointing role in the MTN. As a group, they