

through direct government involvement in production (France)¹³¹. Other countries view many U.S. programmes such as defence-related R&D financing, the industrial planning offices maintained by at least forty states, and import restricting policies such as sugar quotas or the Multi-Fibre Agreement, as being a part of what constitutes industrial policy.

Many opponents of the FTA believe that the ability of Canada to chart an industrial policy course opposite to, or even slightly different from that of the United States will be diminished by the FTA. Some fear that under the FTA Canada's future direction will be left to the vagaries of the market-place, with no opportunity for the government to steer things.

For instance, under the terms of the FTA Canadian governments can no longer set up a two-price system for oil to foster energy intensive industry to locate here, or to encourage further processing in Canada, and instead must make the resource available to Canadian and U.S. buyers at the same price. For many others, this was the very intent of the FTA -- they choose to believe that the free market is the best way to set energy prices and to determine avenues of future growth.

One of the principal ways governments have encouraged industrial and economic development has been the use of subsidies. In an increasingly interdependent world, and particularly in a new integrated Canada-United States market, many of these practices can have an effect on international trade, even if the programme or practice was not designed with that intent. Canada and the United States hope that the on-going negotiations will be able to develop a set of agreed rules relating to subsidy practices. To the extent that these negotiations are successful, industrial policy differences will not be so much limited as defined -- governments can choose to operate outside of the agreed rules if they wish, knowing what the down-side costs that may be imposed by the other party will be.

¹³¹ KELLY M., et al, 1988, Issues and Developments in International Trade Policies Occasional Paper #63. Washington, D.C.: IMF.