

manner.<sup>35</sup> Accession will also draw in additional high quality economic partners who will provide further balance in an arrangement where the U.S. remains the dominant producer and trader. New committed members will create a dynamic in NAFTA that Canada could use to further the work that lies ahead in areas such as the liberalization of government procurement and trade in financial services, as well as the difficult but necessary challenges related to competition policy.<sup>36</sup> More members will help Canada do what it has always done best: use combinations of partnerships to move negotiating files forward in a creative and beneficial manner.

Finally, the use of NAFTA accession to build solid bridges across the Pacific potentially has two special benefits. First, this process would help deflect the prospect of the gradual emergence of an Asian trading bloc centred on Japan. The potential for the creation of a formal preferential trading zone in East Asia to reinforce the important but more informal trade and investment links already in place may not be great, but we should not be complacent. Second, accession to NAFTA by certain Latin American and Pacific Rim economies would not only reinforce growth prospects in Canada, but could also potentially revolutionize the world trading system to such a degree that we could create, by the end of the decade, sufficient critical mass to ensure a more fruitful negotiation with Europe and Japan than the current MTN has been able to deliver.

## 7. Economic Partnerships: The Logic of Our Choices

The preceding analysis provides a reasonable and forward-looking basis for making choices during a decade of scarce human and financial resources. The practical implications are several.

- First, the old shibboleth remains valid. We must continue to dedicate considerable resources to managing our relations with the U.S..
- Second, over the next several years proportionally greater attention must be paid to cultivating relations in this hemisphere and across the Pacific, both because the markets are promising, but also because selected

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<sup>35</sup> Jagdish Bhagwati wisely advises that Parties to free trade agreements should remain wary of domestic interest groups who argue against expanding trade liberalization by espousing the following sentiments: "Our Market Is Large Enough" and "These Are Our Markets". This mind-set is inherently inward-looking and protectionist. See his "Regionalism versus Multilateralism", in *The World Economy*, Vol.15, No.5 (September 1992), 535-55.

<sup>36</sup> On the latter point, see Christie, "Globalization", pp.38-49.