

Catching Up Trade Policy and Research Challenges for the 1990s

Michael Hart

The last decade has seen exciting developments and changes in Canadian trade policy. The next decade may see even larger shifts as Canada adjusts to the twin forces of globalization and regionalization and defines the role it will play in the emerging global economy. Meeting these challenges will require not only adjustment in government policies and business practices in Canada, but also a concerted program of research and analysis to underpin and explain these adjustments. This paper briefly considers some of the trade policy themes that could be explored in helping Canadians define their place in the rapidly changing global economy.

Retrospective

During the second half of the 1980s, Canada broke with two long-standing traditions in its trade policy and practice. The negotiation of first a free-trade agreement with the United States (FTA) and then participation in the negotiation of a North American free-trade agreement (NAFTA) ended Canada's psychic attachment to multilateralism as the only legitimate way to negotiate international trade agreements. As a practical matter, of course, Canada had always been prepared to deal bilaterally with the United States if the benefits were large enough, such as the 1965 Autopact. Nevertheless, the perception had developed that Canada had a special vocation for multilateral trade negotiations, a perception that the FTA brought to an end.

Even more fundamentally, however, the FTA marked a clear rejection of the mercantilism of the past. For good or for ill, Canada's attachment to multilateralism had also included a firm acceptance of the benefits of the mercantilist bargaining that formed an integral part of the negotiating practice under the General Agreement on Tariffs and Trade (GATT). Indeed, Canada had proven one of the more adept practitioners of this art, routinely seeking access to foreign markets while trying to continue shielding its own.¹ This approach was also rejected in the negotiation of the FTA. As such, the FTA formed part of a group of policies aimed at making the Canadian economy -

¹ For a discussion of the nature of GATT mercantilist bargaining and Canada's approach to it, see Michael Hart, *A North American Free Trade Agreement: The Strategic Implications for Canada* (Ottawa: Centre for Trade Policy and Law, 1990).

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