

avoided through careful negotiation of the agreement. Basically this represents an attempt to avoid an undesired post-agreement pressure by negotiating exemptions to the general rules of an FTA. Canadians might correctly anticipate, for example, that with free trade in media services, Canadian-content rules would put Canadian media sources at a competitive disadvantage. In this case, Canada would be put under post-agreement economic pressure to harmonize media policies with the United States by dropping content regulations. To avoid this, Canada could seek in negotiations to exempt some media policies from general free trade rules.

The second source of negotiating pressures is a correct appreciation of the economic forces operating under the status quo that are perceived to run counter to the interests of one of the parties. For example, the United States might correctly perceive that some of Canada's existing economic policies — such as intellectual property law — adversely affect its economic interests. Canada might expect the United States to bring such issues to the bargaining table as a quid pro quo for an agreement. Of course, just because the forces at work are correctly perceived does not mean that Canadians must accept the policies proposed for dealing with them.

The third source of negotiating pressures is an incorrect appreciation of the economic forces set up by an FTA followed by political pressure to harmonize based on this incorrect appreciation. This one is more difficult to anticipate and to cope with rationally because it can be based on imagined economic pressures. Examples of this source could come from incorrectly perceived economic pressures concerning Canadian taxes, generally available subsidies, and generally available social services. To illustrate, let us assume that Canadians were to adopt a value-added tax (VAT) — a tax which is currently under serious consideration in Ottawa. Such a policy would probably follow precedents in Europe, where the VAT is remitted on all