

Debating free trade

To a large extent, therefore, the first part of Mr. Westell's essay is an attack on a straw man (of his own construction and as ugly as sin) that he calls the Third Option, which bears very little resemblance to the model I suggested in my 1972 paper. (By the way, I retired from the Cabinet in 1976, not — as stated — in 1978, which was the year I resigned my seat in the House of Commons.)

Mr. Westell's attack on outright and narrow nationalism, with which I can associate myself in some respects, is, however, only a preliminary to the development of the central theme of his essay, which is that Canada should now adopt the Second Option I outlined, i.e., to move deliberately toward close integration with the United States. I rejected that option in 1972. I am still apprehensive about the consequences of such a drastic change in Canadian policy towards the United States. As the author recognizes, the most effective way of bringing about closer integration is to enter into a comprehensive free trade arrangement covering, for example, all secondary or all industrial goods. That would be an exclusive arrangement with the United States, whatever might be said about the willingness of both parties to extend the arrangement to other countries. It is the exclusivity that is at the root of my apprehensions and misgivings. I know that the GATT rules sanction free trade agreements of that kind. I know that the people of Canada and the United States, taken together, would be richer and I think Canadians would get their share of the joint benefits — although there would be losers as well as winners.

It is one thing, however, for tariffs and other impediments to be removed between Canada and the United States in the course of multilateral trade negotiations. We have clearly come a long way in that direction and we might conceivably make further progress in the next round of GATT talks. It is another thing entirely to enter into a bilateral deal which involves us in according better treatment to US goods crossing the border than we do to imports of the same goods from Japan or Europe.

Canada's adoption of the multilateral approach to trade policy was part of our postwar declaration of independence. In its report *Looking Outward*, published in 1975, the Economic Council of Canada made the point this way:

The end of the Second World War was a turning point in Canadian international economic relations. To offset US influence, strong support emerged in Canada for multilateral action to reduce world trade barriers; this was preferred over the narrower concept of a trade relationship focussing on Europe and particularly Britain.

To enter into an exclusive, comprehensive free trade agreement with the United States would represent a fundamen-

tal alteration of direction. We would by that action declare to ourselves and to the world at large that Canada is now more closely attached to the United States than to other countries, not only because of geography, but because we have deliberately decided to enter into a far-reaching, exclusive and binding trading relationship with our powerful neighbor. I have no objection, indeed I favor, continuing to remove trade barriers between our two countries until they are all gone in the course of multilateral negotiations.

Mr. Westell calls his approach continentalism. As he does, I hope the word can regain its respectability because from time to time my approach to policy has been condemned under the same label. I would much prefer, however, to be called a "Canadian internationalist," rather than a "Canadian continentalist."

So far, the multilateral approach to trade policy that we have followed has served us well — economically, politically and culturally. That approach has been consistent with our desire to be as independent as any country can be in this increasingly interdependent world and in the face of the enormous power and influence of our good friend and ally living next door.

I believe we in Canada should continue to do everything in our power to support the multilateral approach and to resist the protectionist tendencies now so evident throughout the world, including here in Canada. This is not the time to weaken our resolve in that respect. Our stake in the preservation of an open trading system is enormous. Canada needs a strengthened GATT and the maintenance of the principle of non-discrimination on as universal a basis as is achievable. Inside a free trade agreement with the United States, our interest in the removal of barriers to trade elsewhere would be diminished by our interest in preserving margins of preference that existed when we entered into the free trade agreement.

There is every reason for our government to cultivate the closest possible working relationship with the United States administration in order to enhance bilateral trade and to make common cause in supporting the GATT in the fight against protectionism at home and abroad. If protectionism nevertheless prevails, we may have no option other than to enter into a comprehensive free trade agreement with the United States.

I admit, however, that my sense of the national interest causes me to look upon this option, not as something to embrace and welcome — as Mr. Westell would have us do — but only as an option that is superior to being left out in the cold in a cruel, cruel world that has abandoned the multilateral approach and retreated into a series of protectionist enclaves. □