

- o that broad-based policies are not aimed at distorting trade and that any such effects are incidental;
- o that virtually any broad-based policy, such as unemployment insurance or defense spending, has some distorting effects on trade. To put one such policy on the table is to put all of them on the table, thus opening myriad arguments about impossible-to-measure secondary and tertiary effects of such policies as U.S. defense spending;
- o that, to a great extent, the advantages given by such policies come under the category of illusory advantages because they are generally available; and
- o that it is in the national interests of both countries to leave such policies off the table. This could be done by accepting the following necessary conditions for a policy to be on the table: (i) it should be targeted directly at distorting trade and/or (ii) it should actually have a major effect on distorting trade. The first condition would confine concerns to trade policy measures -- a secondary injury rule could then confine such measures to significant cases. The second condition would ensure that the first is not abused by stating some other target when the real target was to distort trade.

These conditions, plus good will, should keep broad-based social policies where they belong: outside of the scope of negotiations.

#### Conclusion

The overall conclusion that emerges from this study is that an FTA agreement would leave the bulk of the pressures for Canada to harmonize its