

remedies. This is clearly likely to significantly improve the climate and the conditions under which trade is conducted under NAFTA.

6. Necessary Improvements to the NAFTA Provisions

6.1 Adherence to the Uruguay Round agreement on subsidies and a repetition of the proposals Canada already made at the multilateral level: the short-term approach

Although the outcome of the multilateral negotiations partly reduced the need for substitute rules on subsidies in North America, it is still only a first step. Further negotiations will be needed, although their success, as we have seen, remains uncertain.

Some experts and commentators have provided us with what they think should be included in "a substitute system of rules for . . . government subsidization."⁴⁶ The optimal solution for Canada would certainly be a total exemption from American trade remedies, without any concessions on Canada's part. However, this is not realistic, since Canadian subsidies do injure American producers in some instances. Furthermore, such changes are usually the result of negotiations in which both parties reach a satisfactory agreement after mutual concessions.

The question, therefore, is to determine the second-best solution for Canada. This solution, we think, should be predicated on two basic objectives, namely limiting as much as possible harassment of our exports by American producers, while maintaining a certain latitude for Canada to subsidize economic activity. To reach a broadly based agreement in this regard would require long and complicated negotiations, which, though they may well prove satisfactory in regard to trade conditions (security of access, lack of harassment) could end up imposing more restrictions than the federal and provincial governments would like on their ability to subsidize economic activity in order to encourage development, including in disadvantaged regions. We believe that a less radical solution that changes the aspects most damaging to Canadian interests would be able, at least in good measure, to counter the harassment of Canadian exports. In contrast to a number of university professors and experts in international law who believe that a broadly based

⁴⁶ See among others: Boddez and Trebilcock, *Unfinished Business*, pp. 215-274; Gary N. Horlick and Debra P. Steger, "Subsidies and Countervailing Duties," in Peter Morici (ed.), *Making Free Trade Work: The Canada-U.S. Agreement* (New York: Council on Foreign Relations, 1990), pp. 84-101; and Keith Christie, *La mondialisation et la politique officielle au Canada. La recherche d'un paradigme*, Document no. 93/01, Policy Staff, Foreign Affairs and International Trade Canada (January 1993), pp. 44-46.