

Even in its own terms alone, however, the Canada-U.S. Agreement will contribute to Canada's trade with countries such as Italy. As a result of the Agreement Canadian firms can be expected to become more competitive, both directly through lower costs, and through their adaptation to a larger North American market. That means they will be more likely to build products and abilities that will also help them expand markets elsewhere. That will improve our ability to meet competition in Europe and globally.

The larger North American market created by the Free Trade Agreement is a potent new reason for locating plants and outlets in Canada, and it makes an attractive centre for new investment by enterprises in Europe. In this it contributes to one of the objectives we share with your Chamber ... of building economic links between Canada and Italy.

In many senses Canada and Italy make good economic partners. Both countries are active in the group of seven Summit and each has an influential role in its own region. Both countries have experienced substantial economic growth in recent years. Italy has kept its place well up in European growth tables over the last three years, and has surpassed Britain in the size of its GNP. The performance of the Canadian economy has also been good -- remarkably good in an unpromising global economic environment. Canadian GNP grew in 1987 by 8.6% (or 3.9% in real terms) which will once more put it at or near the top of the OECD economies. As we saw today, our unemployment rate is now down to 7.8%, the lowest it has been since the summer of 1981. Inflation was kept to a manageable 4.1%, and investment levels are rising in an encouraging way. Canadian exports are now, as a result of improved price competitiveness, expanding well in Europe and Japan.

You will have to allow me to say that this is not all by accident. When you have good economic results it is because you follow effective economic policy.