countries of the European Community. Trade in goods and services would exceed U.S.$250 billion annually. Our combined GDP would be in excess of U.S.$6 trillion.

A trilateral accord would build upon a solid base. The United States, of course, is the most important trading partner of both its northern and southern neighbours. Mexico is already Canada's most important trading partner in Latin America, and the United States' third most important trading partner in the world after Canada and Japan. And Mexico's recent reforms in economic, trade and investment policy are creating new opportunities for Canadian and American exporters in a growing Mexican market.

A trilateral accord thus makes good sense. That is why our three governments have now decided to proceed to negotiations, with each country a full partner from the outset. Building on the achievement of the FTA, we are determined to forge a single new agreement that will take into account the needs and aspirations of all three countries.

That is the approach we have favoured from the beginning. It is the only one that commends itself to us because it provides the best assurance against the development of mismatched obligations or preferential and possibly discriminatory arrangements. The need to avoid such arrangements is clear enough in a trilateral context. It becomes even more obvious when looking beyond North American free trade to possible hemispheric free trade.

It is in that sense that a free-trade agreement among our three countries will prove good foreign policy. 1990 was one of the great watershed years in modern history. While events in the Gulf over the past few months have cast a long and troubling shadow, they should not obscure the positive developments of the past twelve months: the collapse of the Soviet Empire; the end of the Cold War; the retreat from racism in South Africa; and the resurgence of the United Nations as a force for order and progress.

Here in Latin America, there have been equally momentous events. Throughout the region, nation after nation is rejecting unhappy traditions of dictatorship and corruption. And nation after nation is embracing the catalyst of market economics.

Latin America is looking to its northern neighbours for inspiration. Canada and the United States have reason to respond and forge a new partnership in the new world. Our combined potential is vast, with a population of more than