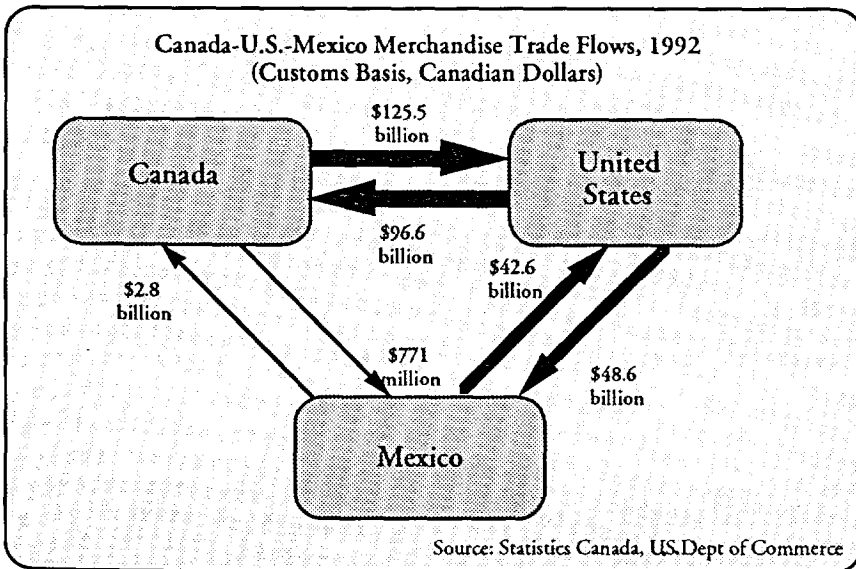


Flows of capital and knowledge are now at least as important as the flow of goods in international exchange. In the past, tariffs and other border measures were the issue. Today, domestic policies are critical in influencing domestic and international investments. The flow of money increasingly transcends all borders. The competition for investment is tough to the point where many countries are opening their economies unilaterally, adopting more open, market-oriented fiscal and regulatory policies.

The Canadian Context:

Canada has not been immune to the process of globalization. Canadian firms have become more integrated into the global economy, while Canadian consumers have been able to choose from an ever widening array of goods and services. Over one quarter of Canada's wealth is now generated by the exports of Canadian goods and services. Canada's future prosperity is thus critically dependent on our continuing capacity for change and adjustment to the influences and demands of the global economy.



Ours is a medium-sized, open and trade-dependent economy. We have always been at the forefront of those advocating that the new international economy be based on clear rules, mutually agreed and fairly administered. The world of the 1990s has led to a more contractual and detailed approach to rule making. In addition to the multilateral framework of rules provided by the General Agreement on Tariffs and Trade (GATT), Canada must also be alert to opportunities that arise on a regional or bilateral basis.

Regional responses to the internationalization of economic activities in Europe and Asia, as well as in the Americas, have presented Canada with a direct challenge. The FTA was the first response to that challenge. The Canada-U.S.-Mexico negotiations built on that achievement.