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More than 300 years ago, Canada began to carve its existence out of a vast wilderness. Today, Canada is a modern, largely urbanized home to some 26 million people, who enjoy an enviable standard of living, with one of the highest rates of purchasing power and disposable income in the world. But as a trade-dependent, outward-looking nation, Canada is aware of today's accelerating pace of change, the intense competition for world export markets and the pressures toward globalization. These factors are driving an invigorated effort by business and government to prepare for the future.

Like most countries, Canada has had its share of economic problems. The devastating effects of the early 1980s recession were hard felt in many parts of the country. Since then, however, Canada has had an impressive record of growth, outperforming most of the industrialized

world in terms of growth and job creation. Understandably, these accomplishments have caught the attention of international observers. At the same time, Canadian government has continued to pursue policies designed to further promote a more open, competitive, market-oriented economy.

Deregulation has been one such step. The transportation, telecommunications, banking and financial sectors have been wholly or partially deregulated. Energy policy has also strengthened market pricing mechanisms.

Privatization is another mechanism whose effect has been to produce a more open, market-oriented economy. Since 1984, more than 17 federal Crown corporations worth \$50 million have been privatized, and more such sales are being considered.

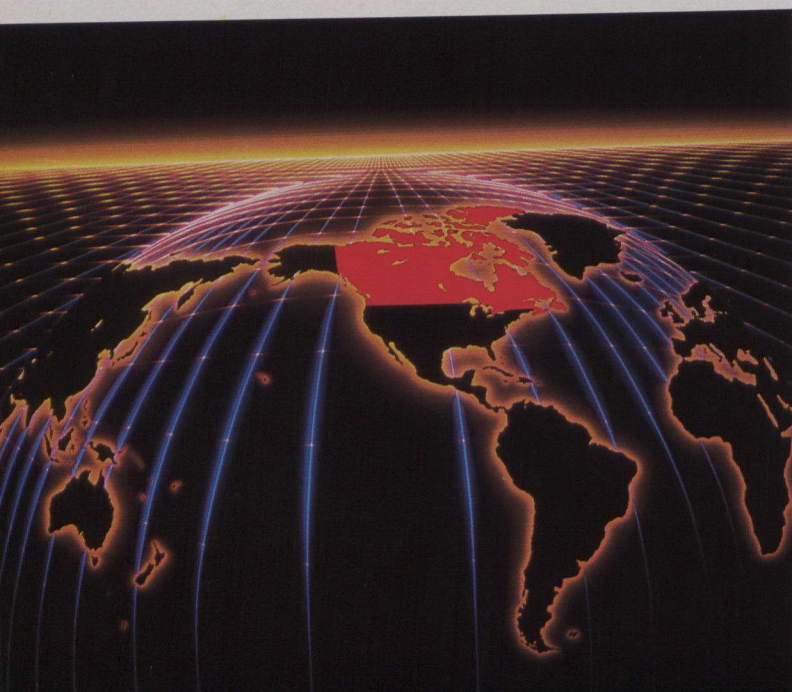
In recent years, Canada has also greatly improved the climate for foreign investment. The old Foreign Investment Review Agency (FIRA) was dismantled in 1985. Investment Canada was subsequently established with a mandate to actively promote investment — both domestic and foreign.

International confidence in Canada is at an all-time high. Increased inflows of foreign direct investment attest to this fact. In 1988, the net direct investment inflow reached \$5.1 billion, five

times the level of five years earlier. At the same time, Canadian business continues to demonstrate strong confidence, as business investment in capital equipment remains at high levels.

But the hallmark of Canada's vigorous market-oriented outlook is the historic Canada-U.S. Free Trade Agreement (FTA), which took effect in January 1989. The FTA creates much more secure access to the U.S. market for Canadian-based companies. The resulting encouragement this provides to Canadian companies to export to the U.S. is expected to lead to greater economies of scale and thus greater efficiency. These, in combination with keener competition within the more open North American market, will contribute to a stronger, more productive economy. Canada will emerge as an increasingly competitive supplier, a valuable and affluent market, and an attractive investment site for all its trading partners the world over.

Throughout the 1990s and into the twenty-first century, global trade and investment patterns will likely undergo significant changes. But with the FTA in place and with prospects of further global trade liberalization as a result of multilateral trade negotiations currently under way, Canada is well poised to gear up for the demands of global competition.



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