

It is impossible to have watched the course of events over the last year without recognizing that something fundamental is happening to the international trading system. Twelve months have witnessed the birth of NAFTA [the North American Free Trade Agreement] and of the World Trade Organization [WTO]. APEC [the Asia-Pacific Economic Co-operation forum] has agreed, against all predictions only a year ago, to reach free trade among its developed economies by 2010 and among its developing economies by 2020 - that is, if any of APEC's members will still be defined as developing in 20 years' time. Not to be outdone, the countries of the Western Hemisphere have set 2005 as their target date for free trade in the region, while Canada, the United States and Mexico have launched immediate discussions for the accession of Chile to NAFTA. At the same time, the European Union [EU] has proceeded with its own plans for expansion both northward and eastward - all the while observing anxiously the dynamism of Asia and the Americas.

So far, many of these initiatives may be seen as little more than statements of good intentions. A sudden downturn in the business cycle, say, or a new trade war, could well dampen enthusiasm for free trade and cast doubt on our best-laid plans. Yet behind the public pronouncements there are more fundamental forces at work. As in the case of the sudden collapse of the Berlin Wall in 1989, trade and investment barriers the world over seem to be crumbling under the weight of their own contradictions. What we may be witnessing today are the birth pangs of a new international economic order - a messy, haphazard scramble toward a system of global free trade.

Something fundamental is happening to the trading system because something fundamental has already happened to the global economy. Semiconductors, fibre optics, satellite communications - these and a myriad of other technological innovations are fashioning a world economy from the bottom up. Countries could always devise ways to prevent grain or steel from crossing borders; they have far less control over the transnational movement of information, know-how or ideas. Yet these are the very "products," if this is the right term, that are now driving the global economy forward at such a breathtaking pace. If "knowledge is power," then one of the defining characteristics of globalization is that this power is more diffuse than ever before. Just as the Soviet Union discovered to its cost that ideas are ultimately unstoppable, we too are discovering, in a less cataclysmic way, that the advent of the knowledge economy is somehow circumventing and diminishing the influence of national governments.

It would be salutary if policy makers could take the credit for constructing this global economy. But the reality is that trade liberalization is following as much as leading the underlying economic trends. Where there is free global movement of capital,