

direct investments in local facilities or through strategic alliances with existing firms. For many firms, foreign direct investment has become the critical linkage between Canada and the global economy of the 1990s - a calculation reflected in the fact that Canadian investment abroad has risen to about \$125 billion in the last several years, and indeed has been growing faster than inward investment for two decades.

Despite the growing momentum for investment liberalization worldwide, Canadian businesses still face obstacles, especially in key developing markets. There are concerns about the transparency of regulations, about performance requirements, and about the procedures for purchasing existing enterprises. Problems are also encountered in the management and direction of foreign investments, as well as in the repatriation of funds. Rules on expropriation, including commitments for fair market value compensation, are also needed. And outside of NAFTA [North American Free Trade Agreement] countries, there is no legal forum or dispute settlement procedure for investment to match what we have already accomplished in trade. Finally, Canadian businesses want to compete on a level playing field with investors from other countries or with domestic suppliers - in trade policy language, they want most-favoured-nation [MFN] status and national treatment.

If trade and investment are two sides of the same coin, then ideally what we need is a set of rules providing a seamless web of protection for all global economic transactions, whether trade or investment. Unfortunately, the new World Trade Organization [WTO] falls short of this ideal. Some disciplines related to market presence are incorporated in the proposed services agreement or what is known as the GATS [General Agreement on Trade in Services]. A few disciplines on such issues as local content rules are included in the Trade Related Investment Measures - or TRIMs - agreement.

There continue to be efforts to gain greater access for our financial services and telecommunications sectors through ongoing negotiations in Geneva. However, this patchwork quilt is scarcely enough for today's world of increasingly integrated investment and trade activities, let alone for tomorrow's.

In the absence of a more universal regime, Canada has so far pursued a multi-track approach to rule making. The first "track" has been an extensive program of bilateral negotiations on Foreign Investment Promotion and Protection Agreements - or FIPAs. As you know so well, FIPAs help to promote foreign investment by lowering the non-commercial risk faced by Canadian companies investing in certain countries. Among other things, such agreements include legally binding obligations to protect against expropriation and restrictions on the transfer of funds, enforceable through a dispute settlement provision.