

institutions by encouraging them to adopt more integrated approaches to effective environmental management.

International cooperation is essential to address the issues facing the Arctic, which is home to unique and fragile ecosystems and diverse Aboriginal communities. The Arctic Environmental Protection Strategy, a cooperative program of the eight Arctic states, was established to protect their common environment and promote the sustainable use of Arctic natural resources for the benefit of all people living in the Arctic, including future generations. In September 1996, the Arctic countries signed a declaration establishing the Arctic Council. The Council, to be chaired by Canada for the first term, will be the intergovernmental forum for regional issues. Canada will engage residents of the Arctic to identify goals and priorities for a sustainable development program for the Arctic.

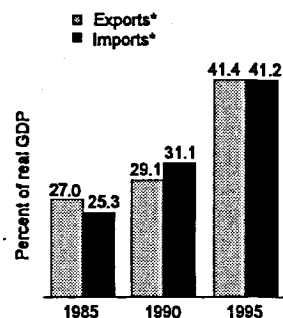
The overall challenge of better understanding the interconnections of environmental, economic, and social factors is increasingly captured by analytical tools. One example is the notion of an "ecological footprint", which was developed at the University of British Columbia. This model assesses the capacity of the environment in a particular area to provide enough resources and assimilate enough waste to secure good living conditions for all residents indefinitely.

MAINTAINING AND IMPROVING CANADIANS' QUALITY OF LIFE

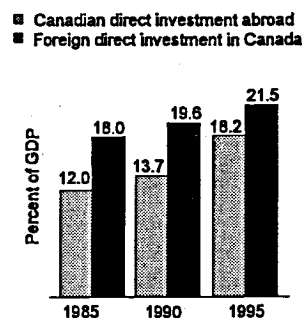
Economic progress is essential to sustainable development—to enable us to enjoy the services to which we have become accustomed and to build and revitalize the infrastructure needed to provide health care and education, clean and running water, and sewage disposal.

The Growing Importance of International Trade and Investment

A Marked Increase in Canada's Trade Orientation



Importance of International Investment Is Also Growing



* Goods and services

Source: Industry Canada

Canada has always relied on international trade and foreign investment, but this has grown even more in recent years.

The period from 1972 to the present has been volatile. We have seen the development of more open economies through increased international trade and competition, steady reductions in government regulation and management of domestic economies, and the growing independence of the private sector in an economic environment that is increasingly beyond the scope of government to control.

Many of these changes were spurred by the decline in economic growth rates in Canada and all industrialized states that occurred after the early 1970s. The past twenty-five years have featured both boom and recession. Cyclical peaks and valleys in unemployment have been sharper. Canada's labour market has shifted dramatically. The economy has continued its long-term employment shift to the service sector, while employment levels in the manufacturing and primary sectors have declined in relative terms.

Canada has continued to develop a knowledge-based economy. Emerging industries, such as information technology, often have few obvious