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international trade rules now directly impact on labour, environmental and other domestic framework policies, previously regarded as the full prerogative of individual states. The implementation of international environmental obligations, for instance, could have major domestic implications for producers and consumers and impact on both federal and provincial governments. At the same time, in a world where prosperity is increasingly a function of expanding trade, foreign policy will be driven more than ever by the domestic demand for a better, freer and fairer international environment for trade.

*States will cooperate with each other even more.*

- One reaction among states to these changes has been to emphasize cooperation for mutual advantage. States have been increasingly willing to enter into international agreements that voluntarily cede aspects of economic sovereignty. They do this, through regional trade arrangements for example, so that their societies can in turn receive benefits that are unattainable when acting alone. Advanced, trade-reliant countries, such as Canada, lead in the creation of a system of international rules to govern the collective behaviour of states because they see binding rules as providing the best basis for the widest cooperation and for protection against unilateralism.

*Economic integration is moving forward more broadly as a result.*

- At the global and regional level, there are an increasing number of rules-based regimes that are further facilitating integration. These have spurred private sector economic activity, stimulating trans-border flows of investment and trade to increase at an accelerating rate. However, as regional organizations develop, there is the worrying possibility that they may turn inward and that the world will evolve into competing economic blocs. Multilateral economic and trade institutions, as well as relations among regions, must evolve to contain this risk and be mutually reinforcing.

*International roles are evolving.*

- As the international system changes, so too do the traditional roles of the major players. The United States is the world's remaining superpower, economic and military. It is still adapting to this role. The European Union (EU) is becoming a political actor in its own right as well as an ever-more integrated economic entity. The transatlantic partnership continues to lead in defining the rules of the emerging international system, but its relative power is being shared increasingly with other regions.

More economic power is moving to the states of Asia, now led by Japan, and political influence will follow it. In particular, China