

in 1992. Mr. Clark defined Canada's "Three dollars" policy on Europe, building on relations with the North Atlantic Treaty Organization (NATO), with the Conference on Security and Cooperation in Europe (CSCE) process and with the European Community.

The year under review marked the first full year in which the Free Trade Agreement with the United States was in effect. This first phase passed with close to 99 per cent of Canada-U.S. trade being dispute-free. In addition, many important achievements were made in the process, which will eventually lead to complete elimination of bilateral tariffs and most other border restrictions between Canada and the United States.

In February 1990, Canada hosted the first Open Skies Conference involving the foreign Ministers of the 23 NATO

and Warsaw Treaty Organization (WTO) member states. The goal of the Conference was to reach agreement on the means of increasing openness among members of the two organizations regarding military activities. During this meeting, the "Two-plus-Four" process of meetings between the Foreign Ministers of the United States, the Soviet Union, the two Germanys, France and the United Kingdom emerged. This process eventually resulted in the final Four Power Agreement that led to the unification of Germany in October 1990.

In 1989/90 Pacific 2000 brought extra focus on the Asia-Pacific region, especially in the area of trade. Japan is Canada's largest offshore trading partner while, in 1989, Korea became Canada's fifth-largest trading partner.

CANADA AND WORLD TRADE

Much of the diplomatic activity in multilateral trade has been concerned with the General Agreement on Tariffs and Trade (GATT) and the Uruguay Round of Multilateral Trade Negotiations to reform and strengthen the world trading system, which will conclude in 1990.

Economic summits focussed on the environment and the need for indicators that will account for the environmental impact of economic policies and business decisions. Sustainable development initiatives have been designed to address environmental problems.