



GOVERNMENT RESPONSE

INTRODUCTION

The Government would like to thank the members of the Standing Committee for their excellent work leading to their report entitled *Strengthening Canada's Economic Links with the Americas*.

The Government pursues three key objectives in Canada's trade policy: prosperity, rules-based systems, and support for broader political goals. Prosperity is attained through better access to foreign markets for our exports, the competitive stimulus of imports, and the benefits of two-way investment flows. Rules that keep pace with the needs of our modern economy provide fair and predictable conditions for economic and social development. Support for broader political goals, including the protection of labour and environmental standards, the advancement of sustainable development and good governance, and other components of social and economic well-being, form the cornerstone of a well-balanced society.

Canada pursues these objectives primarily and most obviously with the United States; we cannot achieve prosperity without the United States. We certainly need rules to keep the conditions for trade fair, open and predictable. Such highly publicized recent cases as American actions against Canadian softwood lumber exports have arisen where we were not able to negotiate strong enough rules. Though we may not always agree on some issues, the United States is among our strongest allies on many broader political goals such as promoting labour rights and good governance.

However, the importance of the Americas to Canada is not limited to the United States. Canada's trade and economic performance is increasingly tied to our hemispheric partners. Trade with Mexico, for example, reached \$14.6 billion in 2001; Mexico is now Canada's sixth-largest export destination and fourth-largest source of imports worldwide. Strengthening these ties is both a vote of confidence in the future of the region and an effective way to support the economic development of our partners. Free trade has proven to be an effective strategy to minimize the negative effects of external shocks on Latin American economies. For example, Chile's commitment to trade liberalization, including its free trade agreement with Canada, helped it to weather the 1998 Asian crisis. In view of the current financial difficulties in the region, it is all the more important to sustain the momentum for trade liberalization.

There is no question that Canada's relationship with the Americas is increasingly important in achieving and sustaining economic and social development, not only in

