

stable and healthy global economic environment, under well-defined and balanced rules of the game.

Nowhere is the double-edged nature of the global dynamic clearer -- the choice between prospect and peril -- than in the issue you will be exploring in some detail at this symposium: regional trading arrangements.

There are conflicting views of regionalism. On the one hand, some see these arrangements as foundations for a more open trade environment that can deliver significant benefits. That's the way I view the Canada-U.S. Free Trade Agreement (FTA), where both our countries have increased their exports during a worldwide recession.

On the other hand there are those who take an opposite view. For example, Paul Krugman of the Massachusetts Institute of Technology has warned:

"The formation of regional trading blocs can threaten trade warfare. Since regional trading blocs are larger than their components, they may be tempted to engage in more aggressive trade policies, which damage the trade between blocs and leave everyone worse off."

In the next few minutes, I want to share with you my perspective on these and other issues, and how they are shaping, and also being shaped by, the current economic climate. And in the process, I'm going to take advantage of the presence of many leading business men and women to make some observations on what they mean for Canada. I also want to take a few moments to talk about the policy approaches the Canadian government is applying to position Canadian firms and workers for renewed success in the fiercely competitive global economy.

To start, I want to comment on the near-term economic environment. There is obviously no question that most of the industrialized economies have not performed as we had hoped over the past year. But looking ahead, I believe we can be optimistic. We have already seen encouraging signs of recovery in some of our economies. Moreover, in many countries, the conditions for sustainable growth are in place.

- Inflation has declined in most Organization for Economic Co-operation and Development (OECD) countries, and that trend is expected to continue. In Canada, for example, year-over-year inflation was 1.7 per cent for the first four months this year -- the lowest sustained level since 1964.
- In turn, dramatic declines in short-term interest rates in some countries are helping to restore consumer and business balance sheets. Citing Canada again, our central bank rate is down to the lowest mark in two decades, helping make