

## 1. Introduction

The purpose of this Paper is to stimulate discussion about choices.

The end of the Cold War has removed a major ideological barrier to the further integration of the world trade and payments system. The present sunsetting of central planning and the stark demythologizing of the workers' state have led to a consensus on the substantial merits of the market economy. The growing pains of transition reflected in the resurgence of very localized (and peripheral) nationalisms (as the glue of Soviet imperial totalitarianism has dissolved) do not seriously detract from the impact of this broad, new reality. Moreover, the growing acceptance of market forces has strengthened the trend toward deepening cross-border economic integration reflected in flows of goods, services, investment and technology that have increased at rates that have consistently outpaced growth in domestic economies over the past generation. In turn, increasing cross-border competition and integration continue to create further pressures for minimizing substantive differences between jurisdictions in many areas that most policy makers had considered quintessentially domestic and local in the past. In this context, economic diplomacy matters more than ever.<sup>1</sup>

Yet, perhaps we have become overly mesmerized with the stunning collapse of central planning and the seemingly inexorable logic of economic globalization. Neither of these shifts are necessarily permanent nor complete. Neither necessarily drives a middle-sized country such as Canada to be everywhere at the same time to the same degree. Neither conveniently releases us from the heavy, but critical task of making choices.

There is considerably more nuance behind "Going Global" than the phrase implies on the surface; or at least there should be. Most Canadian economic welfare is generated domestically, while much of the important growth created by cross-border trade and financing occurs sub-regionally and regionally within North America. On the other hand, we can identify valuable market niches elsewhere, while an open economy in Canada is essential to providing the competition needed to ensure that growth continues to be dynamic. This dynamism, in turn, is central to attracting quality investment and technology from whatever source. We have made and should seek further important marginal (in the economists' sense) gains in welfare through improved trade and economic relations with key countries in other regions.

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<sup>1</sup> For further background, see Keith Christie, "Globalization and Public Policy in Canada: In Search of a Paradigm", Policy Planning Staff Paper 93/01, January 1993.