

Executive Summary

Canada's commitment to the open, multilateral trading system necessarily remains strong, the result of our considerable reliance on trade and investment flows and the lasting benefits achieved under the aegis of the GATT through the several multilateral negotiations since the late 1940s. By way of context, this Paper briefly outlines the more important multilateral initiatives now underway, including the push to complete the Uruguay Round's unfinished business on trade in services and government procurement, WTO accession negotiations with China and others, and a recent OECD decision to begin negotiations to develop a Multilateral Agreement on Investment. Preparations are now also underway for the first WTO ministerial meeting scheduled for December 1996, a meeting that could identify an agenda and set in train a process that lead to the launch of the next comprehensive trade "Round" by the end of the decade. Evidently, creative trade policy is alive and reasonably well multilaterally.

Much of the dynamism driving economic integration, however, originates at the regional or sub-regional level. Strong growth in regional trade and investment creates the conditions for and is further fuelled by formal, treaty-based commitments. Within the western hemisphere, two agreements stood out during the first half of the 1990s: NAFTA and MERCOSUR (comprising Argentina, Brazil, Paraguay and Uruguay). Although different in their comprehensiveness (NAFTA encompasses a wider range of rights and obligations than MERCOSUR in its current form), both agreements represent ambitious efforts to deepen formal economic integration.

Moreover, the search for freer trade and investment on a regional basis remains active. With an increasing number of policy issues in play, and more countries prepared to engage, the multilateral game has become more difficult to sustain without creative regional efforts that seek to go further faster, thereby goading the global system as a whole into action. In this regard, the Paper briefly outlines the scope of three regional initiatives that have recently captured much attention: trans Pacific, western hemisphere and trans Atlantic free trade.

The final sections of the Paper then focus in greater detail on efforts in the western hemisphere to expand the scope of economic interdependence through free trade negotiations. In this regard, the Paper includes a Canadian perspective on the rationale underpinning Chile's hoped-for accession to the NAFTA. The Paper puts particular emphasis on the negotiation with Chile as a test case of the capacity of the NAFTA, through its accession clause, to re-invent itself into a dynamically outward-looking instrument with a central (perhaps the central) rôle in achieving free trade in