

expertise which they often do not possess or which would be too costly to develop on their own.

The 1300 Canadian-based firms operating affiliates abroad are more competitive. They have better profits, higher productivity, superior sales and asset growth and spend more on research and development.

Since these business trends are part of the new international trade reality, Canada and Europe should do more to facilitate further the flow of quality investment between them. We should go beyond the stage, as we have often done in the recent past, of characterizing ourselves as economic rivals. We must make a successful transition from a relationship dominated by Cold War security concerns to one shaped by our complementary economic interests in the global race for economic prosperity.

For the time being, the newly formed World Trade Organization [WTO] provides a basic framework within which to build a stronger economic relationship with Europe in the years ahead.

In the specific area of investment, a number of bilateral agreements are already in place to facilitate the two-way flow of investment. Further negotiations are underway with the European Union on agreements on standards, science and technology and customs co-operation but more needs to be done if Canadian and European companies are to capitalize fully on the opportunities offered by their respective regional markets.

At the multilateral level, notably within the Organization for Economic Co-operation and Development [OECD] and the GATT/WTO [General Agreement on Tariffs and Trade/World Trade Organization], work is being done to establish principles and issues that would lead to an international investment agreement putting investment under a similar discipline as trade in goods and services.

The need for such discipline stems from the fact that, despite significant progress, many countries have not done enough to liberalize their laws and regulations on inward foreign investment. There has also been a rise in informal investment barriers. At the other extreme, many countries eager to attract foreign investment have engaged in predatory practices such as the use of overly generous incentives.

Although no broad consensus has yet developed on a number of principles that Canada considers key and are included in the NAFTA [North American Free Trade Agreement], we continue to pursue, through the OECD and the GATT/WTO, international discipline on access, protection and competition for investment.