

but declined from EU investors. There were two large international mergers accounting for the EU reductions.

With the economy having lost momentum under the weight of the higher valued Canadian dollar in the final quarter of 2004 and somewhat weaker near-term prospects, economic prospects for Canada over 2005 have been trimmed back to about 2.9%, according to the February 2005 federal Budget. Growth is expected to come from the strength in consumer spending and business investment, thanks to solid labour markets and rising incomes. The government sector also appears to be in good shape to support overall economic activity given its solid fiscal position. On the downside, along with the continued challenges of a strong currency and another sustained rise in oil prices are possible efforts to staunch the rising the United States fiscal deficit and threats of a sharp rise in United States core inflation and higher interest rates that could effect growth in the United States economy, all of which add uncertainty to growth expectations for Canada.

FOCUS ON THE EMERGING MARKETS STRATEGY

Why an Emerging Markets Strategy?

All Canadians have a stake in building a better Canada. Canadian prosperity and economic security depend upon our ability to trade goods and services and to benefit from investment. Maintaining the status quo presents the risk that Canadian firms, capital and expertise will be sidelined from centres of growth, finance and knowledge in the global economy. Canada needs to push the frontiers of its international commerce. It needs to maintain its influence on the multilateral agenda through new international partnerships, particularly as emerging powers become more active players. Whether in sustaining value-added economic activity at home or dealing with the geopolitical realities of growth and development around the globe, it is vital that we position ourselves for the future.

Canadians from all walks of life are invited to contribute their views, experience and expertise to the ongoing dialogue on how Canada can support Canadian businesses in establishing themselves within

emerging markets and global value chains, and on how to ensure Canada's overall commitment to sustainable development.

The Current Context

Canada is facing new challenges and remarkable opportunities in the global marketplace. The 21st century economy is one characterized by competitiveness defined on a world, not domestic, scale; it involves international networks of production and global value chains in which emerging regional and country markets figure prominently. Some markets are truly global in scope, while others are a major force in their own region. Whatever the scope, emerging markets are commanding greater attention not only because of their new wealth, but also because of their new influence on global agendas. Our success in markets such as China, India and Brazil will increasingly define how effectively Canada will adjust to the new global dynamics.

With over 80% of Canada's goods exports entering the United States, fostering our trading relationship with that economy will continue to be a key government priority. However, we also have a responsibility to provide the tools that Canadian business needs to take advantage of the major opportunities in emerging markets.

In looking beyond our current trade relations to secure Canada's future prosperity and economic security, we also recognize that expanding trade and investment in new markets presents challenges and opportunities for Canada as well as our trading partners. Canada considers trade to be an essential component of an integrated and comprehensive approach to sustainable growth in Canada and, indeed, globally. Social policies and programs such as education and skills upgrading and social protections for workers, as well as effective environmental management that supports increased and better employment, strengthen the contribution that trade and investment make to economic growth.