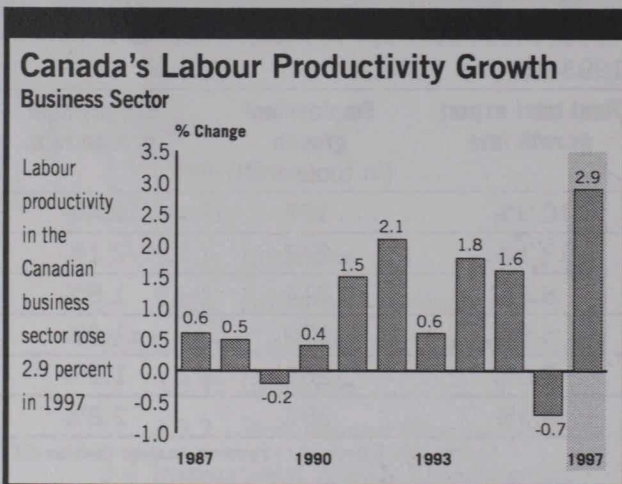


- Over the longer term, strong job creation and a high standard of living depend on our capacity to innovate and to improve our productivity. Over the last 25 years, Canada has had the lowest rate of productivity growth among the G-7 nations. However, we are beginning to see signs of improvement. After two flat years, in 1997 Canada's business sector recorded its best performance in labour productivity since 1984. To sustain growth, we must adapt leading-edge methods and processes **developing and harnessing new technologies** to make our goods and services more competitive. International linkages play an important role. Our access to leading-edge science and technology helps to improve domestic industrial competitiveness, promoting export growth in both traditional and advanced technology industries. At the same time, our own investments in learning, innovation and world-class research and development make us a more attractive market for foreign capital, which in turn helps us to modernize and expand our production capacity.



Source: Statistics Canada and U.S. Bureau of Labor Statistics, (September 1998)

1.2 GOALS AND CHALLENGES

In trade, Canada's greatest challenge is to take full advantage of international business prospects while minimizing risk in a rapidly changing global economy. Our overarching objective is a higher standard of living for Canadians. To this end, the Government of Canada has four goals that guide its international business development efforts:

- to become the world's best trading nation by enhancing our international competitiveness;
- to make Canada the location of choice for investment in North America;
- to create jobs and economic growth in Canada by fostering productivity-enhancing innovation and research and development by Canadian multinational enterprises and small- and medium-sized enterprises;
- to exercise leadership in global trade liberalization.

To realize these goals and maintain and increase our share of global trade, the Government of Canada is addressing six specific challenges:

1. Improved market access

Government must maintain and improve predictable access to foreign markets for Canadian products and services. Canada has already negotiated a more liberal, rules-based trade environment for the business sector through the North American Free Trade Agreement (NAFTA), the World Trade Organization (WTO), and free trade agreements with Chile and Israel. We must build on these successes and take a leading role in further strengthening the international trade framework. This includes preparing for new negotiations at the WTO and the Free Trade Area of the Americas (FTAA), as well as other bilateral, regional and multilateral fora. We must manage our bilateral and multilateral trading relationships to assert Canadian interests and expand Canadian access based on clear and equitable rules. At the same time, we must do more to cultivate an informed domestic consensus around the trade policies and promotion programs that Canada needs to safeguard or improve our standard of living in the global economy.