

traded away for access to foreign markets. But in a global economy, domestic barriers become a self-inflicted wound — a sure way of being isolated from increasingly international investment and production decisions.

Countries are facing irresistible pressure to mesh with this emerging global network of production and distribution. Everyone is competing to be the most attractive location for investment and production — to be at "the centre," so to speak, of the emerging global economy. Much of what is happening, nationally and regionally, reflects the underlying pressure for the unilateral reduction of barriers.

The result is a process of competitive liberalization — a global chess game where bilateral and regional initiatives are part of an overall strategy to liberalize further and faster. This, in turn, helps set in motion a wider competitive dynamic to reduce barriers worldwide — to kick-start a new global round.

Thus, Canada, the United States, and Mexico decided to enter into a "deeper" free trade relationship both to circumvent the slower pace of the multilateral round and to put pressure on their other trading partners. In response, Asia launched its own regional trade initiative largely out of fear of being left behind by a dynamic and expanding NAFTA [North American Free Trade Agreement].

Canada's real challenge is to position itself strategically for this new Asian landscape, to ensure that it is prepared domestically for the burgeoning opportunities that lie ahead.

Even 12 months ago, a commitment to free trade among the countries of the Asia-Pacific region would have been unthinkable. Yet in Jakarta in November, the members of the Asia-Pacific Economic Cooperation forum, or APEC as it is more familiarly known, agreed to establish free trade among the developed economies of the region by 2010 and among developing economies by 2015 — that is, if any of APEC's members are still defined as developing by that time. The implications are nothing short of revolutionary: free trade between Canada and Japan in 15 years; free trade between Canada and China in 25.

But these changes in Asia, sudden and dramatic though they are, are part of a broader, worldwide process of competitive liberalization. Like their counterparts in the Western Hemisphere or in Europe, the countries of Asia today find themselves competing for footloose capital and technology in an increasingly global marketplace.

The very dynamism of the Asian economies today gives APEC a growing significance. This region has become the focal point of immense shifts in the global economy. Beyond the continued and rapid growth of Japan and the "Asian Tigers," the region is the cradle for the emergence of two enormous and hitherto closed economies: