As International Trade Minister, I am confronted with issues that go beyond international trade in goods. As you are well aware, trade also means services and, increasingly, servicing a foreign market means making an investment.

In the case of Canada and Europe, the flow of investment has become a fundamental characteristic of our bilateral relations.

Tonight, I would like to share with you some thoughts on current investment issues as they relate to Canada-Europe trade relations and to the work being done at the international level to develop a rules-based investment regime. I will also touch on efforts to secure access and protection for Canadian investment abroad and on our approach to creating a competitive investment climate in Canada.

When the basic framework of modern international trade rules was initially negotiated after the Second World War, goods constituted the bulk of trade. We had to wait until the eighties to witness the elaboration of similar rules applying to trade in services, first in regional arrangements, such as the Canada-U.S. Free Trade Agreement and the single market initiative and, subsequently, in the multilateral system.

Efforts to bring investment under the discipline of the international trading system have so far been limited essentially to regional agreements; and only preliminary work has been done to build bridges between these groupings or, more globally, to develop an internationally agreed set of rules governing investment.

Yet, over the last two decades, the globalization of the economy has led to a restructuring of trade and investment patterns. A significant expansion in worldwide direct investment flows has been at the centre of these changes.

National treatment, cultural and market differences, varying standards and business practices, and proximity to clients are but a few of the main factors which have made investment one of the most practical market penetration techniques between regional economic groupings such as North America and Europe.

Recent investment flows between Canada and Europe illustrate this point well. Between 1985 and 1992, European firms doubled their investment in Canada to reach $32 billion. In turn, Canadian firms tripled their investment in the European Union to reach $21 billion by 1992.

By investing abroad, these Canadian and European firms are ensuring their own survival in the global economy. Through a variety of investment arrangements, such as acquisitions, strategic alliances and joint ventures, they can lever their capital. They can obtain access to technology, management skills, research and development, training and local market