

increasingly on international trade and have a growing impact on regional and world trade flows, while many enjoy an increasing capacity to raise financing in international capital markets and to attract investment. In addition, many of these economies can make a major contribution to shaping global environmental policy and often wield considerable influence in their respective regions. Zone 2 countries are often active players who "count" internationally and, on an issue-specific basis, can be helpful to Canada in pursuing our goals abroad.

Canada can draw on a wide range of possible policy responses in order to address effectively the quite different challenges of cooperation presented by Zone 1 and Zone 2 economies. These responses include assisting Canadian NGO activity, emergency relief operations, government-to-government assistance covering basic human needs, institutional partnerships with the focus on higher level technical cooperation, government-to-government programmes with a greater focus on environmental partnerships and more sophisticated technical assistance, international cooperation between private sectors, and bilateral investment and taxation agreements.

When analyzing how and where these various tools might best be deployed, it will be essential to recall that needs greatly outstrip our resources. Tough choices will be inevitable. We should focus on countries and programmes where we can make a real difference and where economic partnerships will most effectively reinforce Canadian foreign policy objectives. This Paper argues that our different objectives for each Zone suggest a repackaging of our tools to allow a more strategic and cohesive approach to our relationships abroad.

In light of the above considerations, this Paper suggests that the co-financing of NGO activity should be available for countries in both Zones; that CIDA's mandate should be refocussed even more sharply to concentrate primarily on emergency humanitarian relief and government-to-government assistance that targets basic human needs development and improved grass-roots civil and political practices in Zone 1 countries; and that a new economic and environmental cooperation mechanism should be established to focus on higher level technical and private sector partnerships with economies drawn from Zone 2. Funding for this latter approach could be redirected from several sources, including CIDA, current programmes of Foreign Affairs and other government Departments and the Export Development Corporation. For selected Zone 2 countries, the activity supported under this mechanism could be reinforced through the negotiation of bilateral investment protection and taxation agreements, as well as a more comprehensive trade and investment framework on a case-by-case basis.