

in subjecting as much of their trade and investment relations as possible to mutually agreed rules and law. This contributes to certainty and predictability for exporters and investors, and fosters growth and prosperity.

As Sweden and Canada know, multilateral disciplines are preferable because they provide for broader application of rules, which allows for economic rationalization over larger markets and greater efficiencies and economies of scale. This is why we are both committed to developing a strong and effective World Trade Organization [WTO]. Unfortunately, it can be more difficult to create and advance multilateral disciplines, given that the difficulties inherent in securing consensus tend to increase exponentially as the diversity of the membership increases.

For this reason, we should not be afraid to pursue other arrangements when these are the best means to advance rule-making into new areas or to achieve additional levels of obligation in existing areas. This is the route that both the EU and the NAFTA [North American Free Trade Agreement] have followed. The logic for this process applies equally well across the Atlantic, as it does on either side or, for that matter, in the Asia-Pacific area.

The fact that we encounter resistance to further economic integration and market liberalization is a measure of the success we have already enjoyed. The easy liberalization is behind us. The next steps involve liberalization in areas that are more difficult, and the gains will also be more pronounced.

But the bottom line is that we must move forward, because maintaining the status quo is too expensive. Existing barriers to transatlantic trade and investment cost jobs, and contribute to inflationary pressures and higher interest rates. Given the challenges that governments face on both sides of the Atlantic to create jobs, restrain spending, reduce deficits and promote growth, we can't afford any other path.

I am encouraged to see that we are gradually working toward a consensus among Atlantic nations that something needs to be done to renew and revitalize our links.

For instance, the European Commission recently tabled a paper with the U.S. Administration on the improvement of transatlantic links. Among its many suggestions is one to create a "transatlantic economic space." This paper builds on constructive suggestions from many concerned government leaders, including my Swedish counterpart.

Britain has proposed a "pathfinder initiative," which would see Atlantic nations take the lead in pushing forward trade and investment liberalization within both the WTO and the OECD.