

Section I - Description of Trends in Global Investment

Historians looking back at the 1990s will probably characterize it as the decade of globalization. The proliferation of regional trade agreements around the world, beginning with the Single European Market, the North American Trade Agreement (NAFTA), and more recently the ASEAN Free Trade Agreement demonstrates a series of global steps towards managed trade, initially through the creation of trading blocs in rich, industrialized countries of the north, and more recently through the regrouping of emerging economies in key Asian and South American markets. This tendency is well known and has been the subject of at least one Conference Board study commissioned by DFAIT.⁸

What is less well known is the extent to which investment levels have been growing much faster than trade since the early 1980s. This fact has led the United Nations Conference on Trade and Development, 1993 to state that " ... in a world where FDI is more important than trade in delivering goods and services to foreign markets ... international economic negotiations need to be seen more and more from the perspective of FDI as opposed to trade alone."⁹

In response to growing levels of global investment, and in conjunction with the formation of the regional trading blocks, major industrialized countries from around the world have gradually been eliminating the many obstacles that used to be in place to control the entry and establishment of foreign investors within their economy.¹⁰ The removal of obstacles to investment has resulted in even more rapid investment growth as it becomes increasingly easy for foreign investors to make foreign direct investments. More importantly, foreign investors are now able to base their investment decisions on underlying

⁸ See *Links Between the North American Free Trade Agreement and the ASEAN Free Trade Agreement*, The Conference Board of Canada, Ottawa, DFAIT project number 071-64-4474 (December 1994)

⁹ See *United Nations Conference on Trade and Development*, 1993, p 225

¹⁰ OECD, *International Direct Investment: Policies and Trends in the 1980's* (Paris: 1992).