

Productivity in Canada has surged. Our cost competitiveness is at its highest level in more than 40 years. Canada's current account deficit has been cut in half over the past year. Our inflation remains among the lowest in the world.

At the same time, the Canadian government has taken decisive action to reduce Canada's fiscal deficit. Deep cuts to government spending will reduce the federal deficit to 3 per cent of GDP by next year. Provinces have also been active in reducing or eliminating their fiscal deficits.

Canada's commitment to liberalized trade and investment is undeniably a large part of our success. We have been an active proponent of regional and multilateral initiatives to help improve Canada's competitiveness. This approach also reflects our belief that we must go beyond existing commitments wherever we can in order to drive the multilateral system toward global free trade.

Our participation in the Canada-U.S. Free Trade Agreement and its successor, the North American Free Trade Agreement [NAFTA], has given firms in Canada free and secured access to a huge market and excellent sources of supply.

Under the NAFTA, clearer North American content rules, including those for autos, have reduced the risk of unilateral interpretations by customs officials. The interests of exporters and business investors are better protected by an efficient and transparent dispute settlement system which ensures that the rules are enforced.

Today, the North American economy is based upon converging infrastructures, common distribution links and an intricate web of cross-border production and investment. Economic integration in North America has stimulated specialization within Canadian industries as they take advantage of greater economies of scale.

The results speak for themselves. Canada and the United States now exchange over \$1 billion worth of goods and services a day and Canadian exports to Mexico grew by nearly 30 per cent in 1994. Canada accounted for one third of total export growth in North America last year.

Our commitment to an open trade and investment regime and to sound macro-economic policies have helped create in Canada one of the most competitive business environments in the world. This has not gone unnoticed.

Total foreign direct investment has increased 20 per cent since implementation of the first free trade agreement with the United States. Of the total increase in foreign investment in Canada, 30 per cent is reinvested earnings. Many multinational corporations, such as 3M, Dow, DEC, IBM, Bell Helicopter Textron,