

Traditional trade policy issues continue to matter. Tariffs and quantitative restrictions still impede access for Canadian exports, not only in growing LDC markets, but also in the EC and Japan. Policy makers will have to give further consideration to reducing unilaterally Canadian import duties on essential inputs facing lower duties when imported into the U.S. by competitors. North American rules of origin will require careful management. The liberalization of cross-border trade in services requires more work. There remains much more to do on the government procurement front. And there is still a requirement for reform of trade remedy procedures, especially anti-dumping.

Canada's need for quality investment is increasing. Some estimate that future gross investment requirements may be up to one-third higher than our recent performance, at a time when government deficits detract significantly from the national savings effort. Canada requires foreign investment to bridge the gap, although the competition for investment has become tougher. At the same time, Canadian direct investment abroad can be positive. International networking provides access to new technologies and assists in opening markets for Canadian exports.

At home, Canada has to ensure the creation of an environment that foreign and domestic investors will consider attractive. In addition to getting the domestic policy mix right, trade policy can build on FTA and NAFTA achievements by addressing such issues as the extension of the higher foreign investment review threshold to other OECD countries, the retention of some regulatory leverage to address major acquisitions, and the extension of investment disciplines to non-OECD countries through accessions to the NAFTA and the negotiation of further bilateral Foreign Investment Protection Agreements (FIPAs).

Competition is at the heart of market based economics. Competition policy prevents abuses of economic power, while remaining sensitive to economic efficiency needs. Competition policy can more effectively adapt to normal market-place pricing realities in a cross-border context than can anti-dumping procedures. The rationale for seeking to replace the latter with the former is persuasive. Canada should build the domestic consensus needed to pursue this goal actively, although recognizing that negotiations with the U.S. and others will not be easy. However, we should treat with caution suggestions that we promote a broadly based effort to harmonize the detail of competition policy internationally given Canada's different (more modern) mergers policy and our continuing need for flexibility with respect to strategic alliances related to research and development and export promotion.