

aggravated by internal domestic problems, highlights the connection between economic and political stability, and which can result in a loss of confidence in emerging markets, including those in Latin America. Indeed, Latin American markets are being affected despite progress in many countries during the past decade in macroeconomic policies and structural reforms.

Developments in 1998 that have contributed to improved global market conditions:

- G-7 efforts to strengthen the international financial architecture including proposals for new IMF and World Bank financing arrangements to ward off destabilizing market contagion and the Canadian proposal for a peer review process to help encourage the promotion and implementation of appropriate financial sector guidelines;
- progress towards agreeing on the IMF quota increase and the New Arrangements to Borrow, which together will provide additional resources to the IMF of US\$90 billion;
- Japan's commitment of substantial resources to strengthen its financial system and stimulate its economy — swift and effective use of these resources as well as rigorous implementation of the comprehensive plan for financial revitalization are key preconditions for the restoration of market confidence and growth not just in Japan but in the whole Asian region;
- interest rate reductions in the United States, Japan, Canada, the United Kingdom, Italy and several other European countries, which will help maintain strong non-inflationary growth;
- introduction of the Euro, the next stage of European economic and monetary union, will lead to reduced costs of foreign exchange transactions and to greater certainty in doing business in the EU;
- economic and financial policy commitments by Brazil to help it weather international market developments and promote sustainable growth, the implementation of which will be assisted by the recently announced IMF-led relief package; and
- progress in many countries in Asia towards establishing the foundation for recovery.

Attention is focusing on the capacity of the international monetary and financial system to deal with the realities of the new global economy. The IMF now estimates that global economic growth will be 2 percent for 1998, down from earlier estimates of 3-3.5 percent. To date, the crisis has had only a modest negative impact on Canadian growth overall (growth forecasts for 1998 have been reduced to 2.9 percent from 3.5 percent). However, as noted above, western provinces, particularly British Columbia and Alberta, are being more adversely affected and the Canadian dollar has been subject to pressure despite healthy economic fundamentals.

There has been some improvement in global market conditions towards the end of 1998, but serious challenges remain which will take time to resolve. This document describes what the Canadian Government is doing to help Canadian exporters and investors overcome the obstacles they face in foreign markets.

Canadian Initiatives to Bring Down Barriers

Canada's strong export performance in recent years is due in large part to governments' pursuit of policies to improve access to the United States and other foreign markets, and to promote the improvement and expanded coverage of international rules governing trade and investment.

Implementation of the FTA in 1988, the North American Free Trade Agreement (NAFTA) in 1994, and the WTO Agreements in 1995 have provided an enhanced rules-based framework to facilitate trade and investment. In addition, Canada is pursuing its market access priorities through complementary initiatives such as the recent bilateral free trade agreements with Chile and Israel, the FTAA, the Canada-EU Action Plan, APEC, and negotiations with EFTA countries towards a Canada-EFTA FTA. In all of these initiatives, Canada works to increase access to markets in a manner that promotes Canadian values, including respect for the environment and labour standards.

Market Access and Trade and Investment Business Development

Capitalizing on improved market access is a vital element of the federal Government's strategy to expand international business development