I. INTRODUCTION

INTERNATIONAL TRADE IS THE FRAMEWORK on which Canadian prosperity has rested upon in particular over the 1990s. Trade liberalization has been at the centre of Canada's trade strategy since the end of the second world war. Indeed, the Canadian economy has benefited from freer trade over the post war period. International trade agreements have lowered barriers to entry, reduced uncertainty, and have made it easier for Canadian firms to exploit trade opportunities. Freer trade has allowed firms to specialize in areas where the country has a comparative advantage and has given consumers access to a wider variety of lower-priced goods.

Our trade liberalizing strategy over the past fifty or so years has been aimed at making Canada a good trading partner and a better place to do business. More importantly, it has ensured that competitive Canadian companies have been able to take advantage of opportunities around the globe. From a broadly-based ideal aimed at multilateral liberalization at the GATT and now the WTO level, Canada's trade strategy has evolved to encompass as well bilateral trade and investment liberalization opportunities. The first of these measures, besides sectoral arrangements in the 1950s and 1960s involving defence production and automobiles, was the Canada-United States Free Trade Agreement (FTA), which brought about a stronger, more open trade and economic relationship with our most important trading partner and the largest economy in the world. The North American Free Trade Agreement (NAFTA) extended the benefits of the Canada-US FTA to include Mexico[1]. Canada's goal in each of these agreements has been a simple one: gain as much access to the markets as possible for competitive Canadian producers, workers, and investors, and secure that access with balanced, mutually advantageous rules. In return, Canada has opened its own market to the same extent, to the benefit of Canadian firms and consumers — who gain access to capital, goods, and services in greater variety and at world prices.

The positive effects of open markets are clearly evident in the strong growth of the Canadian economy over the past half-decade in particular — indeed, the growth of Canada's real GDP since 1989 is second only to the US among all the major industrialized countries. Our exports have benefited substantially from the economic expansion of our American free trade partner. Between 1989 and 1998, our total trade with the US (exports plus imports) rose a spectacular 140 per cent — from $235 billion to $564 billion. Or put another way, Canada-US trade now exceeds a million dollars a minute[2].

However, as impressive as the benefits of free trade with our American neighbours are, there is also an increased hazard associated with having all of our benefits from trade tied up in one source. In this sense, we are vulnerable from "overexposure" to US markets and could benefit by strengthening our ties with other economies in order to reduce our reliance on the US. In this way, trading resources can be shifted to take advantage of differences in the