

given the vulnerability of our high-technology firms in the United States, Europe, and Japan.

Another subject of negotiations will be extraterritoriality – the ability of a country to reach beyond its borders to apply its laws and regulations to the international operations and affiliates of firms headquartered in its own territory.

More ambitiously, negotiators may look at the interface between foreign investment and private business practices – the way complex financial and commercial linkages among firms can often impede market entry through investment. It is difficult to exaggerate the complexity of this issue – an issue which goes to the heart of the way national economies, and indeed societies, are structured; yet it remains true that disciplines in this area would greatly facilitate access to key markets such as Japan and even Germany.

In the end, however, there is a major shortcoming in the OECD negotiations – the lack of participation of developing countries. After all, these same non-OECD countries last year accounted for over 40 per cent of all foreign direct investment – up from 18 per cent in 1985 – and this proportion can only grow.

More important, it is in many of these countries that investors have the greatest need for binding protection, ease of access, and transparency of regulations. There are consultative mechanisms that might be established for non-OECD countries as negotiations progress; we shall also need to ensure that the final architecture is kept open to eventual accessions. But if we are living in a world in which investment is truly global then any meaningful OECD investment agreement must eventually be anchored in the WTO – perhaps as the catalyst for the first WTO Round.

How does all of this affect Canada's financial sector? You too are service providers in an increasingly porous and competitive global marketplace. You represent an essential link in Canada's productivity chain. And you are not immune to the larger forces at work in today's global economy.

As you are all too well aware, the Minister of Finance and I rarely waste an opportunity to ask what role Canadian banks are playing in facilitating Canadian business performance internationally, particularly the performance of our small and medium-sized enterprises. But tonight I also want to express my interest in the global viability and competitiveness of the Canadian banks themselves. No one can afford any longer to be strictly domestic players, least of all institutions that play such an essential role as financial intermediaries.

Thank you.