

investment and ideas, there must eventually be free movement of production and distribution. Indeed, in some ways globalization bears out Marx's most important insight: that technology shapes the course of history. Changes to the means of production are changing the relations of production, which in turn are altering the institutional superstructures – in this case on a world scale.

What we are seeing in the expanding web of bilateral, plurilateral and multilateral free trade agreements are the efforts of national governments to come to grips with economies of regional and global proportions. Once trade policy was about regulating commercial relations between national economies, largely through the negotiation of tariffs; now it is about establishing the ground rules of a transnational economy in areas that were once quintessentially domestic: standards and regulations, investment, competition policy and so forth.

This expansion of free trade, moreover, has generated its own competitive momentum. In a world in which national barriers are becoming so many self-inflicted wounds – a sure way of being isolated from increasingly global investment and production decisions – we are all facing irresistible pressures to keep pace with market liberalization. Countries enter into free trade relations to increase their competitive edge, only to find others joining the race for fear of losing out on investment, technology and market access. The result is a kind of global chess match, one in which bilateral and regional trade initiatives become part of an overall drive to liberalize further and faster – yet the cumulative effect is to advance worldwide free trade. There are trade strategies at work here, but not in the sense meant by Paul Krugman and other new trade theorists. This is not a zero-sum game; it is an ongoing dialectic generating dynamic growth.

Much of this momentum was generated by the original Canada-U.S. Free Trade Agreement [FTA], and the subsequent trilateral agreement with Mexico. The aim was to push forward in such areas as dispute settlement, investment, trade in services, or procurement, where our degree of economic integration seemed to call for a more comprehensive regime of rules and procedures than could be achieved in the larger and slower-moving multilateral arena of the GATT [General Agreement on Tariffs and Trade]. But in pursuing free trade with our neighbours, we sent a clear signal to our other trading partners that North America was committed to a more open, more structured international economic order, and that we were prepared to leave behind those countries unwilling to move in this direction. Not surprisingly, many of the trade policy advances made in the FTA and NAFTA were subsequently reflected in the final outcome of the Uruguay Round of the GATT.