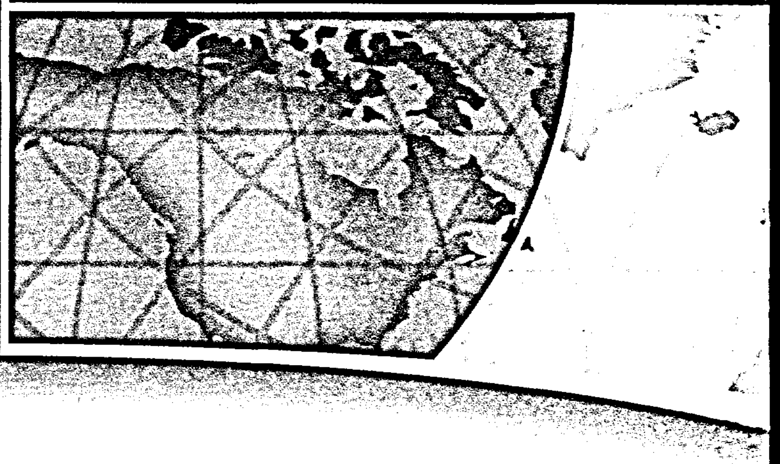
1 Introduction



Introduction

Canada is a trading country. The export of goods and services accounts for more than 40% of our country's economy activity. International trade is integral to our continued prosperity. There is no doubt that Canada's exposure to international competition has energized our economy, spurred innovation, attracted foreign investment and created hundreds of thousands of jobs for Canadians.

Although Canadians have been successful in selling to the world, our ability to fully exploit opportunities in key markets is often limited by a variety of barriers. To ensure secure and predictable access to the world for Canadian traders and investors, the government will continue its efforts to bring down barriers in key markets. This means strengthening the institutions and the rules that govern international trade and investment, forging relationships with new partners, and ensuring that other countries live up to their commitments.

Opening Doors to the World: Canada's International Market Access Priorities – 2003 presents significant market-opening results achieved over the past year and outlines the Canadian government's priorities for 2003 to further improve access to foreign markets. The government will continue to pursue these goals multilaterally, through the World Trade Organization (WTO); regionally, through the North American Free Trade Agreement (NAFTA), the Free Trade Area of the Americas (FTAA) and the Asia-Pacific Economic Cooperation (APEC) forum; bilaterally, with our key partners and through negotiation of free trade agreements with the Central America Four (El Salvador, Guatemala, Honduras and Nicaragua) and Singapore. In all cases, the government's objective will be to ensure that Canada's traders and investors benefit fully from international trade agreements.

International Trade and Investment Trends

The year 2001 was notable for two major developments on the economic front: the technology bubble burst, triggering a downturn in the North American and global economies; and September 11 changed forever the way goods, services and people would move across national boundaries. It also marked the 10th consecutive year of economic growth, the longest and most stable economic expansion since the 1960s.

The Canadian real economy expanded by 1.5% in 2001, its lowest level since the early 1990s, with a contraction in the third quarter. The solid growth during a period of global slowdown is attributable to sound economic policies in Canada. The elimination of the deficit and the restoration of fiscal and monetary policy credibility have underpinned this performance. Federal budget surpluses from 1997–1998 to 2001–2002 contributed to the reduction of the public debt: the ratio of federal debt to gross domestic product (GDP) fell from a high of about 71% in 1995–1996 to approximately 49% in 2001–2002.

Fiscal consolidation and debt reduction have provided room for an easing of tax burdens and some modest discretionary spending measures, enabling consumer and government expenditures to make important contributions to growth in real GDP.

Canada's flexible exchange rate regime has played its part too, effectively cushioning the economy from external shocks. The depreciation of the Canadian dollar in recent years has helped to offset the effect