These stresses appear, for instance, in the trade and payment imbalances among the world's major trading economies. These imbalances have led to the large exchange rate movements of recent years, have limited our growth and contributed to the debt crisis of the developing countries. These imbalances also stoke the fires of protectionism, not just "trade wars" but dozens of small national restrictive actions that erode accepted trade disciplines, and distort the terms of trade. Most of all they undermine the trust and transparency needed to ensure equity and efficiency in the world economy.

Successive GATT rounds have resulted in deep cuts of tariffs among the main trading countries, but a large variety of other barriers, some more apparent than others, remain in place. Equally dangerous are the new and innovative barriers to international trade that are emerging, threatening the gains we have made through these international trade negotiations. Slower and unevenly distributed growth in exports in this decade has also helped stimulate protectionism, especially in those countries with persistent trade deficits.

Moving forward in these adverse conditions is a major challenge to leadership in the Western world. It demands a cold-eyed examination of the fundamentals of our system, and imagination and perseverance in devising solutions.

What are the real factors that can increase world trade?

First national economies have to be strong enough to change industries or practices that are out-of-date, to teach modern skills, and to encourage new industries that can compete in the modern world. That is what the economists call "structural change", and new international competition makes structural change inescapable.

A second factor has been recognized since Adam Smith -- access to a larger market permits specialization and economies of scale. Going into the mid-1980s, Canada is the only major industrialized country that lacks assured access to a market of over 100 million people. The chances of developing global marketing skills from a small protected domestic market are not very promising, and neither are the prospects for controlling costs and improving quality.

A third important ingredient is modern management; this demands the integration of people, capital, knowledge, resources and markets on a global basis.