

Japan. More specifically, the multilateral trade negotiating process has enabled Canada to increase its leverage by combining with those holding similar objectives on particular issues while maintaining flexibility to stand with other countries when interests differ. Participation in the multilateral system has also enabled Canada to balance the interests of different regions of the country in a way that enhances the cohesiveness of the Canadian common market. It has also made it possible to share the benefits of trade agreements negotiated between other trading partners as well as to reduce the risk of Canada's being singled out for special treatment by other entities when it comes to instituting restrictive trade measures.

While the GATT has provided an effective and dynamic framework for the pursuit of Canadian interests, there is concern in Canada and elsewhere about its relevance and capacity to deal adequately with current problems and pressures on the trading system. There are doubts that major trading entities are prepared to resolve their problems within the GATT framework and questions whether it provides an adequate basis to contain and manage the proliferation of preferential trading arrangements and non-tariff measures adversely affecting trade, production and investment. While there may be doubts about its adequacy, the existence of the GATT has mitigated a 'rule of the jungle' in international trade and the domination of crude power relationships to resolve disputes. The fundamental fact of life is that the GATT can only be as effective as its major participants are prepared to make it. In the end, the will to exercise fully GATT rights and accept obligations will be important in strengthening the credibility of the system. A major issue for the 1980s will be whether the GATT can be adapted to meet this challenge. In the absence of a GATT-like trade instrument, Canada would be left to deal with the big powers one on one.

Although regional trading blocs proliferated in the 1950s and 1960s to an extent not originally anticipated, the GATT rules provide for the formation of such arrangements. Canada was instrumental in having such provisions in the GATT when it was originally negotiated. For geopolitical reasons unrelated to trade, the USA was prepared to accept the formation of the EC as a reasonable price for European integration, even though some aspects of the EC adversely affected its trade interests (particularly agricultural policies). In effect the formation of the EC and its later enlargement to include the United Kingdom, were accompanied by international trade negotiations to maintain the balance of negotiated trade interests between Canada and Europe and to bring down the level of the Common External Tariff.

Given Canada's large stake in trade, Canada must in the first place seek to preserve and enhance the multilateral trading system, in fair weather or in foul. This is not a matter of choice, but one of practical necessity—nor does it inhibit our ability to strengthen bilateral relationships with key trading partners. On the contrary, the two objectives are complementary and mutually reinforcing. At the same time it must be recognized that regional trading blocs are more important than they were a generation ago. While Canada is not formally a member of a regional bloc, at a practical level we are to all intents and purposes part of a North American regional market and thus partner with a very significant player indeed. There is no other way to read the various links that have been forged over the years with the USA. (The