

tage. While our economy has been seriously affected by developments in the world economy, its fundamental strengths remain in the form of resource wealth, skilled manpower, and our high level of technological capability. Nonetheless, we must not let our competitive position slip. Recent measures taken by the government to contain inflation, particularly the 6 percent/5 percent programme, were put in place to help ensure that Canada is not priced out of foreign markets which could have major adverse effects in terms of jobs and economic growth. They represent a start in the right direction.

Economic Development for Canada in the 1980s identified a number of opportunities for attention during the present decade and set out a programme through which the government would assist and encourage business and labour to exploit these opportunities. Clearly the recession imposed constraints on Canada's ability to proceed apace with new development proposals, particularly in the resource sector, and suggested a shift in emphasis toward the maintenance and enhancement of a positive climate for private sector investments. Further, the fiscal capacity of the government to support economic development is now more limited and available funds will need to be deployed in the most effective manner, consistent with development and regional priorities, to improve productivity and long-term international competitiveness in the Canadian economy, and to ensure that Canada emerges from current conditions with the sustained capacity to compete in world markets. While the short-term pressure is on funds for job creation, unemployment insurance, and welfare, the long-term need remains for sustained economic development.

Conclusions:

- The world economy is emerging from a period of severe strain, and there is little likelihood of a return to prolonged rapid growth. Demand is low and capacity is underutilized. Technological changes are occurring more rapidly and frequently creating uncertainty. Industrial power relationships are shifting and pressures for both protection and subsidies remain. These conditions pose a major challenge for Canada, specifically to sustain international competitiveness, to maintain and expand existing export markets and to attract investment beneficial to Canada's economic development.
- World financial markets are experiencing unusual volatility and the mounting debt burden of developing and state-trading countries is straining the capacity of international institutions and industrialized country governments to maintain equilibrium.
- While economic prospects are certainly not buoyant, there are nonetheless real and achievable opportunities for growth through trade if all sectors of the Canadian economy pull together to ensure that we are well-positioned to seize opportunities in foreign markets as economic recovery occurs.

II. International Trade in the Canadian Economy: Creating Jobs Through Exports

Historically, Canada has been a trading nation, exporting a quarter or more of its output of goods and services to other countries in exchange for their products, capital, and information. This is not a surprising feature of the Canadian economy,