

In some cases, existing policy appears satisfactory. But in a number of important areas, a re-examination of directions appears warranted.

## INTERNATIONAL ECONOMIC AFFAIRS

The effects of high interest rates, protectionism, fluctuating exchange rates and lagging productivity are felt by Canadians from coast to coast. Faltering competitiveness means lumber sales in offshore markets are difficult. Subsidized grains production in Europe is competing with our own grains exports abroad. New competitors, new materials and changes in demand are slowing our minerals exports. Highly competitive electronic and automotive imports have captured large shares of our domestic market.

The forces affecting our economic well-being are of both domestic and foreign origin. This section\* examines several ways in which we can improve our economic circumstances. It looks at Canada-U.S. trade, strengthening the multilateral economic system, the search for competitiveness, investment and exports, and official development assistance.

### Canada-U.S. Trade

Trade with the United States dwarfs our trade with any other country. It accounts, in fact, for about three-quarters of our entire trade. (See Figure 16.) The employment of millions of Canadians depends on it.

Protectionist pressures are strong in the United States and could result in new restrictions on the entry of our goods into the American market. The restrictions could reduce the prosperity of Canadians from coast to coast and could have particularly severe regional impacts. They could also diminish the competitiveness of the Canadian industries affected.

For almost every export sector of the Canadian economy except grains, secure and enhanced access to the U.S. market is very important. Efforts to achieve it proceed both multilaterally and bilaterally. The principal rules governing our trade with the United States (and most of our other partners) are contained in the GATT. A new round of multilateral trade negotiations (MTN) could begin under GATT auspices in the next twelve to eighteen months; a preparatory committee could be struck this summer. Progress in those talks would improve our access to the U.S. market.

But multilateral rules, although necessary, may no longer be a sufficient means of managing our most important trade relationship. Canadians are now asking whether, in our own interests, we should consider complementing the

*Protectionism is on the rise in the United States; it is imperative that we secure and enhance our access to the US market.*

---

\*See also the discussion paper released on January 29, by the Hon. James F. Kelleher, Minister for International Trade, entitled *How to Secure and Enhance Canadian Access to Export Markets*. The purpose of that paper is to elicit information, views and perceptions from the private sector on the principal market access problems facing Canadian exporters throughout the world, and on matters relating to access to the Canadian market, to consult on resolution of those problems and to establish with provincial governments a strategy for market access. Part II of the paper deals with the prospective multilateral trade negotiations; Part III addresses the Canada-U.S. trade relationship.