Canada has been able to influence the policies and practices of the major economic powers and to minimize the risks and costs of direct confrontation. To the extent that these institutions work effectively, they provide safety valves for tension and decrease the temptation of major economic powers to settle problems among themselves to the detriment of smaller powers. Equally, it is important in this context that we work to sustain a strong US commitment to the multilateral trading system, thereby reducing the risk that the major trading entities will develop bilateral solutions which do not adequately reflect Canadian interests.

The post-war multilateral institutions were, of course, designed for an international environment quite different from the one we face today. The question, therefore, is whether they can be adapted to meet the environment of the 1980s. There have been pronounced shifts in industrial power away from the USA and towards Europe, Japan and some developing countries, although the US role in international trade remains dominant. Developing countries present potential market growth areas, reflecting their increasing demographic weight, and also represent a major source of competition for raw materials as well as for an increasing range of low-cost and standard-technology products. OPEC power in the petroleum and money markets has also significantly contributed to substantially different competitive relationships in areas such as petrochemicals. Similarly, many state-trading countries have sought to have their interests accommodated within the multilateral trade and payments system.

Together with the GATT, the IMF and IBRD have been the pillars of the post-war trade and payments system. It was recognized from the outset that all the problems in international trade cannot be addressed with trade measures alone. Some of these must be addressed with macro-economic and monetary policies within the ambit of the IMF. This fact is borne out today by the problems generated for the trading system by the increasing debt-burden of developing and state-trading countries and the volatility of financial markets. The continued integrity of the system will thus require that the IMF also adapt to changing circumstances by being provided with increased resources and flexible operating procedures. As an open economy crucially dependent on both foreign trade and financial flows, Canada has a major stake in the health of the international monetary system. Canada will thus continue to promote and support measures which enhance the further development of the system in ways which maintain an international climate favourable to non-inflationary growth and expansion in trade and financial flows. The system should promote global and non-discriminatory objectives which are aimed at serving the interests of the world economy as a whole. Changes in the system must thus be viable and durable and consistent with these objectives.

Put simply, the multilateral system is based on the economic theory of comparative advantage and the belief that the competitive forces at work in international trade, and the effective operation of the price mechanism, are beneficial and should be strengthened. It also reflects the importance attached to stability, order and predictability provided by the rule of law for the conduct of international trade relations. Essentially, Canada has seen the multilateral system embodied in the GATT and IMF as the most effective means of safeguarding and enhancing Canadian trade objectives vis-à-vis major trading entities such as the United States, Europe and