lateral gains in trade which has already been set in motion for the 1980s is unlikely to be further supplemented.

Special problems for Canada

Although successive multilateral reductions in trade restrictions have opened up markets for Canada, the numerous safeguard provisions under the GATT and those taken extra-legally by major trading partners remain among the main impediments to exporting. By way of example, country risk for an American industrial firm whose export exposure is only say ten to twenty percent of its production is clearly much lower than for a comparable Canadian firm whose export exposure must be seventy to eighty percent in order to achieve similar economies of scale and specialization in production and marketing. The paradox for Canada, therefore, is that while multilateral reductions in trade barriers improve potential access to export markets, they also significantly increase the risk to firms seeking to exploit that access from a Canadian base. This occurs in essentially two ways. First, increased access comes at a price, often in the form of wider safeguard provisions and other loopholes that make it easier to close off disruptive imports — success breeds its own potential penalties. Second, even without the threat of safeguard action, incremental investment decisions to exploit new export markets are inherently high risk because those markets are less well known and costlier to service.

Moreover, the export opportunities afforded by the MTN are perceived to involve a measure of cost and risk which the generally conservative Canadian business community is often unwilling to incur. This is attested to in the recently submitted private sector report on Canada's export strategy for the eighties, known as the Hatch Report. There are a few institutional proposals, but Hatch recommends all manner of export subsidies to induce the Canadian business community to develop a more aggressive stance in export markets. The Canadian Government has adopted few of the Report's expensive proposals. In further subsidizing export finance, the Canadian treasury cannot hope to compete with our large overseas trading partners.

Given that the subsidy route is not a viable answer, especially as a long-term proposition, the Canadian government has devoted some attention in recent months to the concept of a National Trading Corporation. With the return of the Liberal government in 1980, a Parliamentary Committee was established to examine the feasibility of a government-sponsored trading corporation. The final report tabled recently recommends a joint public-private sector organization. It would engage in both exporting and importing, and provide a marketing arm for Canadian manufacturers, particularly for those smaller Canadian-owned companies that would not otherwise engage in international trade. Aside from glossing over the paramount problem of managing contingent risk in such a semi-government organization, the report has little to excite the interest of the private sector. This is, in part, because the Canadian exporting community already has at least 300 private sector trading companies of varying success available to it who are not anxious to be undercut by a government or quasi-government agency. The principal problems remain small marketing scale, lack of skilled market developers, and poor access to flexible export-import credit instruments.

The US has taken a somewhat different approach, and this is a good example of the differences between our two political cultures. The US Congress is actively considering legislation that would allow commercial banks to establish trading companies. This legislation, known as the Heinz Bill (The Export Trading Company Act, 1981 [S.144]), stands a good chance to pass this session of Congress and has excited some jealously among Canadian bankers. By contrast, the recently-passed revisions to the Bank Act explicitly prohibit Canadian banks from engaging in international trading activities.

To trade and trade-off

From the foregoing discussion, one can draw the following broad conclusions. First, from a Canadian perspective, the multilateral framework has probably gone as far as it can usefully go for the foreseeable future. Second, traditional federal and oft-times provincial government support for both import and export competing industries is not effective unless it is both substantial and ongoing. No Canadian governments (except perhaps Alberta and Saskatchewan) can afford to sustain these requirements.

Superimposed on these two conclusions is another disquieting observation concerning the emerging international environment. The stability of broad-gauge trading relationships that the GATT system was successful in nurturing during much of the post-war period has suffered a series of major shocks in the last ten years which do not augur well for the future international trading environment. These include the Nixon *Shokku* of 1971, the OPEC embargo of 1973 and oil price increases of 1974 and 1979, the Iranian crisis and related seizing of Iranian assets, the US-led embargo of grain and high technology goods exports to the Soviet Union and the Polish financial crisis. It is small wonder, therefore, that many governments have grown increasingly inward-looking and protectionist. This trend is particularly disturbing for Canada which now directly relies on exports for more than thirty percent of its gross national income.

Central to Canadian trade policy for the eighties are the objectives of not merely *improving access* to markets but also *assuring security of that access*. Security of access, and its corollary *security of supply,* are not generally objectives which can be met on a multilateral basis. Indeed, it seems likely that they can most appropriately be negotiated bilaterally. For Canada, therefore, the eighties should be a decade of enhanced bilateralism. This may go against conventional wisdom that Canada can best meet its objectives multilaterally, but remember that we live in a world which is perhaps even worse than second best for an economy with Canada's peculiar industrial mix. Moreover, Canada's relative bargaining positions will change given its favorable resource base. As an example of this, Japanese interests have recently lent Dome Petroleum, the major explorer for hydro-carbons in the Beaufort Sea, a multi-hundred milion dollar interest-free loan in exchange for the *hope* of receiving some oil and gas resulting from successful exploitation. This is not to suggest that Canada could or should trade off its energy wealth for preferred access to export markets, but security of supply in excess of Canadian needs provides