

efit, or benefit equally. The ability to take advantage of that growth will, to a large extent, depend on the economic climate fostered by government policies and on the willingness of the private sector aggressively to pursue opportunities and overcome obstacles. It will also depend greatly on the quality of day-to-day decisions.

The prolonged recession, with record levels of unemployment and persistently high rates of inflation that plagued most industrialized and developing countries created severe strain on the world trading system. Conventional wisdom about the benefits of freer trade was being questioned. Protectionist pressures mounted as did tensions between and among major trading countries. These circumstances are particularly acute for Canada given our heavy dependence on trade with one country—the USA—the slow growth anticipated throughout the 1980s for the US market, and the concentration of our exports in a relatively narrow range of resource-based products. Our competitiveness is slipping compared to our major trading partners and we are not as well-positioned as our competitors to export manufactured goods—the area of greatest anticipated growth in the 1980s. That is the nature of the challenge.

The analysis and conclusions which follow are based on a comprehensive review of Canadian trade policies and reflect an extensive round of consultations with provincial governments, business and labour leaders, bankers and other interested Canadians based on the Background Paper, *A Review of Canadian Trade Policy*. Those consulted were supportive of the government's effort to develop a comprehensive trade policy and constructive in their contributions. As a result, this paper reflects many of the priorities and sensitivities of provincial and private sector representatives. Above all, the consultations revealed the importance of trade and particularly exports for Canada's well-being as well as a strong desire for a firm national consensus on the policies which affect Canada's trade relations and on the domestic environment which can best complement a successful trade performance. The private sector also stressed that it is the business of government to provide a framework and environment within which the private sector can best pursue its economic goals, while it is the business of the private sector to grasp opportunities as they become clear, with appropriate help from government where necessary.

There are clear limits to what can be achieved through the vehicles of trade policy, trade promotion and trade relations. This paper indicates where some of the constraints and opportunities lie: in the realms of fiscal and monetary policy, competition policy, in investment and industrial policy etc., but stops short of presenting precise solutions. That would require further work beyond the direct scope of trade policy. For the purpose of this paper, it is sufficient to identify the problems and point at the direction of solutions for those issues that are beyond trade policy.

I. The Economic Environment: A Tougher World

The industrialized world, including Canada, entered the 1980s in the midst of its second experience of "stagflation" in the last ten years, without ever having fully resolved its first experience. Governments in most of the major OECD nations are currently committed to the reduction of inflation as their primary medium-term goal, and are pursuing policies designed to restrict demand pressures and establish