relatively easy access to hungry world markets. In the earnings sense, resource-led export growth will make the achievement of external market penetration by manufactured goods less critical, and allow Canadians to take a more considered approach to improving terms of access.

The dangers here are two-fold. First, reduced pressure to find markets for finished products may result in public indifference and a tendency towards a certain isolationism from international events. Second, Canada's economic stability will be threatened by the ever-growing world stringency in resources, requiring industrialized nations to seek them in countries like Canada, Brazil and Australia.

On the import side, it means a growing ability to resist protectionist pressures in order to free-up scarce labor resources for more productive activities. Consequently it will be possible to concentrate on the adjustment of traditional industries to lower levels of output but on a more competitive basis. To achieve this, more attention will have to be devoted to insuring effective labor training and trans-provincial mobility. Concurrently there must be efforts to end or reduce funding for problem industrial sectors, while increasing assistance to high growth industries.

These arguments should not be taken to suggest that Canadian trade policy for the eighties will be marked by complacency. Rather, they suggest that Canada will have enough breathing space to develop a strategic, coordinated approach to trade policy without being forced into more of the *ad hoc*, band-aid and stopgap interventions of the recent past.

Impediments to improved trade performance

Notwithstanding the relatively more favorable outlook for the eighties, Canada still suffers major handicaps in competing internationally. Since 1979 the continuing sluggishness of the economy plus persistent current account deficits have shifted government attention to greater consideration of measures to improve Canada's trade performance; to some extent in terms of import replacement, but largely in terms of export promotion.

The domestic impediments to exporting from a Canada base have been well documented over the years. The main ones are:

1. There is too high a risk to size and management expertise for most Canadian-owned firms to have a major export presence. Put another way, even when production scale economies can be realized, few Canadian firms can achieve scale-economies in international marketing, especially overseas.

2. There are frequent restrictions imposed by multinational firms on product and marketing mandates. In those relatively few cases where world product mandates have been granted by parent companies, Canadian subsidiaries have been very successful. For instance, Pratt and Whitney Canada has two-thirds of the world market for small aero-turbine engines. But even then the multinational parent plays a key supporting role in the marketing effort.

3. There is a quite rational tendency for *Canadian multinationals* to shift production to local foreign markets in order to overcome offshore tariff and non-tariff barriers, or to offset the risk of special border action. For instance, one of Canada's largest multinational corporations, Massey-Ferguson, undertakes only about one-eighth of its total production in Canada.

4. There are very high entry costs to hi-tech growth industries such as aerospace, nuclear power and telecommunications. With increasingly intense international competition, most industrialized and industrializing countries are intent on investing in and developing these same growth industries.

5. To participate successfully in these industries requires either major and on-going government involvement or big business presence. One of Canada's largest hi-tech companies, Northern Telecom, is however small by world standards.

Search for solutions

Potentially there are four possible trade policy strategies: (i) unilateral policy change; (ii) bilateral agreements; (iii) trading bloc membership; and (iv) multilateral trade negotiations. Although from time to time there have been some unilateral actions, the Canadian search for mechanisms to gain market access and expand international trade has generally followed two paths: multilateralism and bilateral agreements.

Canada's record in multilateralism has two sides. On the one hand, Canada has been a great believer in multilateralism, on the premise that greater gains can be made for a relatively small economic power in a multilateral forum, where the Canadian interest is likely to be consonant with one of the other major players on each issue, rather than on a bilateral basis where bargaining strengths are inherently unequal. On the other, Canadian governments have a long history of intervention in the economy either directly, or indirectly through Crown corporations, as a means of assisting the development of Canadian industry, and in recent times this intervention has been focused on exports. This intervention has the effect of creating non-tariff barriers, and weakens our multinational claim.

The recently-concluded Tokyo Round MTN will result in tariff reductions among industrialized countries averaging forty percent by the end of the phase-in period in 1987. Once these barriers are down, roughly four-fifths of Canada-USA trade will be duty free, a proportion which the GATT determined in 1960 as constituting "free trade." Major inroads into problems of non-tariff measures, such as customs evaluation, anti-dumping and countervailing duties, technical standards and government procurement have also been made. However, there still remains some unfinished business in the multilateral context, in particular with respect to some of the MTN codes. But regardless of Japanese initiatives planned for the 1982 summit it may be judged unlikely that another major multilateral round will occur during the balance of this decade. The Reagan administration has been pushing the idea of further multilateral negotiations on investment flows and trade in services, but it is difficult to recognize support for these initiatives among America's trading partners, particularly Canada. Therefore the progress towards major multi-