

formulation of Canada's foreign and domestic economic development policies. Today, almost one-third of every pay-cheque in Canada is paid for by exports.

- A gradual movement towards freer trade has been a consistent policy orientation of successive governments in the post-war years. All sectors and all regions in Canada depend heavily on exports to foreign markets, and both producers and consumers rely substantially on imports of a wide range of goods and services. The stronger industrial sectors tend to be heavily export-oriented. This outward-looking policy has contributed importantly to fostering an open Canadian society and strengthening Canadian unity. A continually strong trade performance (based on steadfast support for and participation in an open, multilateral trading system) will help sustain economic growth, develop the economic development potential of different regions and strengthen industrial structures across the country.

III. Trade and Economic Policy

a) *The Race to Sustain Competitiveness*

Trade, both exports and imports, thus will continue to be one of the main driving forces in the Canadian economy. However, trade and trade policy cannot be treated in isolation. What happens in the external sector is affected by the whole range of domestic policies, both federal and provincial, including fiscal and monetary policy, regional development policy, foreign investment policy, environmental controls, human resource policy, etc. It is the amalgam of these economic policies that provides the economic framework within which Canadian industry must seek out and develop markets both at home and abroad.

Border measures are probably the most visible aspect of policies affecting trade performance. A highly protected domestic market, whether achieved through border measures or subsidy programmes, will limit the incentive for Canadian firms to undertake the investments needed for them to compete in international markets. While there are situations in which the process of adjustment must reflect a balance between the need for greater efficiency and for equity in terms of those directly affected (requiring temporary, justified measures), Canadian producers are also Canadian exporters and they will only be successful exporters to the extent that they are not held immune from the burdens of adjustment and international competition. Beyond temporary safeguards, protectionism can thus prevent the reallocation of labour and capital from less productive to more productive activities and constrain the growth of the latter. Ultimately, the cost of protectionism is borne by consumers and more efficient producers in the Canadian economy. The regional distribution of these costs is often a further problem in Canada, since producers and consumers are not typically located in the same regions of the country.

Recent comparative studies of international competitiveness and productivity growth do not cast a favourable light on Canada. OECD studies indicate that our productivity growth since the mid-1970s has lagged behind that of our major competitors. The influential European Management Forum annually publishes a compre-