oil prices, many of these "Canadianization" efforts look like very poor business decisions, let alone economic errors. Meanwhile, the federal government has concluded tax-sharing agreements with all the energy provinces save Newfoundland and can therefore begin to unbend in its attitude towards the Canadian activities of foreign energy corporations.

In sum, the high water mark of Canadian investment and energy nationalism was reached in 1980-81 and the trend now is towards a pragmatic approach in which fewer perceived "benefits" can be marginally added, but at much reduced "costs" in international tension. The 1982 minerals policy reflects none of the recent investment nationalism. On the other hand, while FIRA and NEP are not strictly "trade policy" issues, the Canadian stance on these subjects since 1980 has highly colored the North American environment of international commercial irritants by both sides and has swung strongly against the USA. Even the Japanese and the European Community have perceived a Canada turning in unto itself.

Trade policy environment of 1970s

From an economic development standpoint, the seventies were a difficult decade for Canada, marked as they were by sluggish growth in traditionally strong resource sectors, impaired competitiveness in medium-technology manufacturing, and a public policy preoccupation with employment creation. There was on overriding concern to generate enough jobs to absorb the fastest growing labor force in the industrialized world. Taken all together these factors inhibited the pace of necessary structural change in the economy.

Moreover, policy makers had well-founded concerns about Canada's cyclical vulnerability in a world of growing economic interdependence. They foresaw that as industrial adjustment occurs, the number of stable and growing sectors would likely decrease, resulting in fewer but more internationally competitive industries. In this sense, Canada's "portfolio" of high income generating industries would eventually be narrowed, increasing dependence on this remaining set and thereby levering up the "risk" of instability arising from shocks generated outside the Canadian economy. This was an ominous prospect for an economy that needed to increase rapidly and to sustain its levels of employment in the face of burgeoning labor supply. Not surprisingly, then, Canada's 1970s trade policies featured the familiar principle of making haste slowly towards the freer trade goal while applying expensive short run force-feeding to a number of elderly as well as infant Canadian industries.

To a great extent the employment targets of the 1970s have been met. Most members of the post-war baby boom are already in the labor force and the prospect of skill shortages is in sight for mid-decade. With a switch in labor priorities it is now possible for policy makers to turn aside from earlier expensive growth-inducing policies to those measures which will improve efficiency and market responsiveness in the Canadian economy.

Policy prospects for 1980s

Even if Canada is entering the 1980s with its industrial economy in better shape than during most of the 1970s, there are still several important policy constraints to be considered. The implementation during the 1980s of the measures agreed upon in the MTN GATT Tokyo Round will further liberalize the international trading system and create greater interdependence among the world's traders. In turn this will leave less scope for national macro-economic and external payments policies to get out-of-step. Attempts to run against the tide will cause dislocations. For example the USA on one hand, with high interest rates, strong dollar, and awkward inflation, and Japan on the other, with low interest rates, weak yen and modest inflation, are set on courses which must lead rapidly to trade frictions, beggar-thy-neighbor responses, and mounting commercial irritants. Even Canada's long-term tool of independent management — the floating exchange rate — can now do little to increase the elbow room for "Made-in-Canada" monetary and fiscal policies. Moreover, at the federal level Canada can no longer afford increments to budgetary deficits arising from industrial bail-outs and make-work programs. Thus the degree to which Canada can initiate and sustain its "own" macro- or even micro-economic policies in the 1980s is likely to be considerably less than was the case as recently as 1975.

Fortunately for the Canadian economy, there are a number of global factors and local parameters which should favor Canada's trading stance as the decade unfolds:

1. The terms of trade for products in which Canada has a comparative advantage, namely energy, minerals, forest products, cereal and fishery products, are expected to improve as recession ends and offer substantial prospects for real growth.
2. An over-valued exchange rate will abate to a more realistic level, leaving Canadian higher-technology manufactured goods more competitive and facing reduced import pressures.
3. The public policy environment is shifting from one of coping with slow decline in major sectors to one of managing growth. Although current levels of unemployment of around nine percent are still unacceptably high, the slowing of labor force expansion, coupled with strong demand for labor, particularly in Western Canada, and later in the decade in Atlantic Canada, means that unemployment will become a more regionally specific public policy problem than hitherto.

The key to Canada's economic prospects will be energy-led development. Major projects in Western and Atlantic Canada, most of which are hydro-carbon or hydro-electric related, will require \$300 to \$400 billion of investment over the next twenty years. These huge resource investments will also result in the growth of complementary activities in the manufacturing and service sectors, not only in the geographical peripheries of the country, but also in the central provinces of Ontario and Quebec.

What are the implications of these developments for Canadian trade policies? First, on the export side, the chronic Canadian problem of being the only major trading country without free access to a large market (the Canadian market is one-tenth the size of the US or the EEC, and one-fifth the size of Japan) will be mitigated by a new-found acceptance of concentrating on resource-related products which have a comparative advantage and consequently