

International economic stability sometimes seems too precarious for comfort. Overhanging the trading system are the possibilities of sudden and substantial shifts in exchange rates or interest rates, and of further protectionist disruptions. Overhanging the international payments system are the prospects of bankruptcies on a national scale, and inadequate lending.

This is a delicately balanced situation. And in the hand that is being played out internationally, there is a dangerous joker — protectionism — the wild card which can threaten growth and recovery everywhere.

Governments of all the industrialized countries have come under strong protectionist pressures as a result of the last recession. Almost all have found it necessary, for one reason or another, to provide some protection requested. And it is not the old kind of protection of the tariff, which was at least visible and predictable in its effects.

The new protectionism is much less transparent, more insidious and very much more difficult for the exporter to deal with on his own. It is applied through a variety of non-tariff measures at the border, such as so-called voluntary export restraints, orderly-marketing arrangements and changes in technical standards. And then, often lying behind these barriers, are industrial and structural measures, of taxation, subsidization, regulation and purchasing practices, which have been brought in for some domestic policy reason, but nonetheless have a protectionist effect. All of this amounts to a serious erosion of the open multilateral trading system so carefully built up over the past 40 years — an erosion of the system you exporters need to keep your markets open.

At the Economic Summits of Williamsburg and London, governments of the major industrialized countries called for the reversal of this trend. But the response has been slow to materialize. It is now thought that as much as 44 per cent of total Organization for Economic Trade and Development trade, including agriculture, is subject to some form of non-tariff restriction, and as much as 20 per cent of trade in manufactures. Under the accumulation of this kind of pressure, it becomes quite plausible to ask whether the open trade system is really open any more.

And with all this, there is a world-scale revolution going on — the technological revolution. As with most revolutions, you either run with it or you are run over by it.

That is the real world we have to live in. We have a choice between trying to escape it, and trying to control it. This government intends Canada to take control of events which affect us. We have to work out together — with the provinces, business and labour — how we are going to respond to that challenge, but I think there is no doubt that Canadians want to respond.

Four principles should guide our strategy.

First, we must resist protectionism and keep trade open. Canada must play a full role in the international efforts to manage the international economy effectively, and work closely with like-minded trading partners, especially the United States.