

The innovation resulting from research and development can combine with a greater investment and savings effort to underpin economic growth. There is an important correlation between R&D performance, and sales growth and increased market shares. Regrettably, Canada's R&D record is not good, especially with respect to the effort of the private sector which falls significantly below that of our OECD competitors. Trade policy can contribute to improving this situation by: creating a treaty-based environment of security and stability for investment, reducing overseas barriers to exports from our resource sectors as an important contribution to firm profitability, preserving ample scope for government R&D funding that is safe from the trade remedy harassment of other countries, working toward the full application of national treatment by other governments when Canadian companies with their own funding and expertise seek to join international technology consortia, and preserving high quality intellectual property standards while developing a better understanding of the economic impact of further changes to these standards.

The trade and environment agenda is quickly expanding and becoming more complex. Environmentalism reflects concerns close to the every day life of voters, is easily packaged for emotional public debate, and yet addresses significant, very real-world problems at the heart of economic and social development. The combination of political sex appeal and substantive merit is powerful. There is a crying need for the trade policy community to get out in front of the environmental wave with innovative, well-reasoned proposals if it hopes to shape public debate effectively so that fundamental Canadian trade and economic interests are not jeopardized. In this regard, the paper makes several specific suggestions related to the use of border measures to enforce consensual standards (including user fees), how to discipline environmental "rogue" states, inspections in other jurisdictions, and dispute settlement procedures. The design of environmental economic instruments should reinforce Canadian competitiveness objectives and avoid tripping over international trade obligations.

The trade policy negotiating agenda will certainly expand further. The closer interaction of domestic and external policies will continue to gather steam. In essence, Canada faces one policy playing field. The coordination of players and plays must be agile and comprehensive. In this regard, close federal-provincial cooperation is crucial. The policies of one level of government can severely undermine the efforts of another jurisdiction to provide a stable environment for investment and growth.

Moreover, as the trade agenda continues to expand, the importance of coordination and policy coherence within the federal government can only increase. In this regard, the paper concludes by recommending the consolidation of all trade policy instruments under one roof.