

Chapter I

INTRODUCTION

Because Canada is one of the least self-sufficient countries in the world her prosperity and her very existence depend on making the most of her own specialized resources, and on trading them as advantageously as possible for her other requirements. Her success will depend not only on her own skill and efforts, but also on the continuation of an interdependent and integrated international system of trade and finance. Everything which tends to restrict the operation of that system, such as barriers to the international movement of population, goods or capital, or the detachment and artificial isolation of large blocs from the world economy on a self-contained basis, reduces the scope for an advantageous international division of labour—the principle on which the existing Canadian economy and standards of living are built.

The Rowell-Sirois Report

In the late 1930s, the Commissioners on Dominion-Provincial Relations had fresh in their minds the disasters of the Great Depression. They were struck with the need to animate Canadian economic policy with forward-looking ideas. The past few years have seen economic conditions fraught with similar lessons. In 1983 Canada again needs to ensure that its economic policies are based on the promise of the future rather than the short-term problems of the day.

In *Economic Development for Canada in the 1980s* the government established balanced economic growth and the reduction of inflation as the government's major priorities for the decade. The government outlined its policies and priorities for national economic development and established the framework which will guide its actions in the coming years. In the period following the conclusion of the Tokyo Round of multilateral trade negotiations, it is critical that Canada's approach to trade policy issues remain firmly rooted in the realities of the Canadian economy and the international environment within which Canada must compete.

Canadian trade policies have shown an impressive degree of continuity over the post-war years. They have reflected a number of economic, commercial and foreign policy considerations fundamental to the economic prosperity of Canadians in all regions and to a strong, united and independent country.

The 1980s offer both challenges and opportunities for Canadian trade policy. The prolonged recession, with record levels of unemployment and persistently high rates of inflation plaguing most industrialized countries, created severe strain on the world trading system. Conventional wisdom about the benefits of freer trade was being questioned and tested. Protectionist pressures mounted as did tensions between and among major trading countries.

The structure of the world economy is undergoing a rapid transformation. There has been a pronounced shift in industrial power away from the USA and towards