

Purpose and Introduction: Preparing for the Twenty-first Century

The purpose of this paper is to examine the importance of trade to Canada's economic development and to seek to establish a consensus on basic principles to guide Canadian trade policy in the decades ahead. It analyzes the domestic and international environment in which trade is conducted, the policy instruments and considerations which affect Canada's trade performance, and the factors at play in the Canadian and world economies which would argue for a change in emphasis or direction for future trade policy. It demonstrates the close links between domestic and trade policy objectives and ways and means to strengthen our international competitiveness. The paper offers views and broad conclusions and indicates where priorities and emphases are needed based on domestic, sectoral and regional considerations, on the interplay of domestic, foreign and trade policies, on the management of international trade relations, and on the issues which are likely to confront future trade negotiations. It attempts to establish a clear, coherent framework to enable Canada and Canadians to respond to the challenges and opportunities in the trade field during the decades ahead.

The broad objectives of Canadian trade policy can be briefly summarized as follows:

- The development of a stronger, more efficient, productive, competitive, growing and non-inflationary domestic economy, the increased per capita wealth of which is shared by Canadians from all regions of the country; and
- The promotion of a more stable and open international trading environment within which competitive Canadian and foreign firms alike are encouraged to plan, invest and grow with confidence.

Beyond these basic objectives, however, trade policy is about day-to-day decisions affecting the tariff on a single product, a quota which can make or break an industry, a countervailing duty which will determine profits for years to come, and the availability of government-guaranteed export credits; it is about complex relationships between unequal trading partners within a carefully structured and balanced set of rules; and it is about the inter-relationship between economic policy and trade performance. Meeting these day-to-day challenges requires a thorough knowledge of what has gone before and a full appreciation of what may or may not work. To a large extent Canadian trade policy has been, and will continue to be, developed as a trade-off between the objective of improved access to foreign markets, the need to promote efficiency and competitiveness, and the need to provide protection for those Canadian industries subject to intense competitive pressures but considered important in terms of national or regional interests. Decisions on the use of particular policy instruments essentially revolve around these three factors.