

For this same reason, globalization is immutable even for large, relatively self-sufficient economies such as the United States. Witness the profound re-evaluation which has taken hold of this once unshakeable and impenetrable economic fortress. There is the sudden realization that America is no longer an island entirely unto itself.

For a small open economy such as Canada's, globalization entails even more profound changes. Already Canada's exports account for 40 per cent of the total output of our private sector. One in five Canadian jobs are directly dependent on exports. Indeed, with the solitary exception of the now united Germany, Canada is the most trade-dependent nation in the world. It is a trend which, for the reasons I have noted, will only become more apparent in the years ahead.

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It is becoming no exaggeration to say that everything we do in this country depends upon our success as a trading nation. By the same token, our success as a trading nation depends on the success of our economy and ultimately of our society and our people. In that very real sense, our domestic policy is becoming our trade policy and vice versa.

Yet in the midst of these profound changes I would suggest that Canada faces a curious paradox: Trade is of central and increasing importance not only to Canada's economic future but also to the way we shape our social and political structures. Yet at the same time globalization has rapidly overturned the traditional signposts of Canadian trade policy without necessarily revealing an obvious replacement.

I believed in 1988 as I believe today that Canada faces a fundamental decision as to where and how it wishes to place itself in an emerging global marketplace and the emerging economic alignments of the world community. Do we still believe that our negotiating interests are best served in the multilateral world of the GATT, an institution which has served Canada well since the Second World War, or should we also pursue our interests more in bilateral relations principally with the United States? Should Canada's economic future be cast in a global mould or are we now to limit our focus to a continental or hemispheric bloc? Is the socio-political dominance of

*Government Orders*

the United States still a concern for Canadians or is this traditional concern now mitigated by the demands of a post cold war world, a multipolar world?

My basic point is that Canada is in need of a trade and competitiveness policy to guide us in an era of globalization and increasing interdependence. So far, despite the proud boasts about Canada's trade performance which we heard from the minister just a moment ago, this government has never attempted to articulate such a basic policy. It seems content to be swept along in the wake of globalization rather than attempt to plot a course and to navigate such changes to Canada's advantage. Traditionally Canada's trade policy as fashioned by successive Liberal governments has rested upon two pillars: liberalization of trade and multilateralism.

The first has been a response to the very nature of the Canadian economy. Although rich in natural resources and indeed human resources, our economy for geographic and demographic reasons has lacked sufficient diversity to approach anything like self-sufficiency. Canada has been and must continue to be a trading nation. More generally protectionism risks making the economy more inward looking, insulates it from uncompetitive forces in the international marketplace, and can distort the allocation of Canada's own resources. For these reasons our arrangements or institutions which promote more liberalized trade are in principle in Canada's national interests. Protectionism, in the classic Ricardian sense, is economically counterproductive at the best of times. In Canada's case, it is a luxury which we simply cannot afford.

The second pillar of Canada's traditional trade policy, multilateralism, has been a response to the concerns about our sovereignty. By trading on a multitude of fronts and by eschewing bilateral ties with larger economies, principally in the United States, Canada sought both to reduce its economic dependence on one partner and to preserve as much as is possible for a small, economically open country its independence.

More recently Canada has taken a leading role in post-Second World War multilateral institutions such as the IMF, the World Bank, the G-7, as well as the GATT, to embody that commitment to multilateralism which has long offered to Canadians the best protection of their sovereignty and of their national interests.