

Trade

Strains are especially evident in the international trading system. Traditional industries are facing intense competition at home and abroad from countries which benefit from lower wages and, often, from advanced technologies as well. Governments are under pressure to keep out competitive imports in an effort to protect domestic jobs and investment. Although lip service is paid to the rules of international trade, there is a drift towards managed trade and new forms of protectionism affecting such key sectors as automobiles, steel, shoes, textiles and food.

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Measures such as voluntary export restraints, orderly marketing arrangements and trade distorting subsidies can have short-term beneficial effects here and there but, in the longer run, they render protected industries and countries weaker and less able to compete. They also jeopardize the efficient functioning of markets, cost consumers money, undermine growth and deter investment. They can restrict manufacturers' access to those imports which are important intermediate goods in the production of competitive final products. More generally, they are eroding the multilateral trading system embodied in the GATT.

Successive Economic Summits have stressed the importance of resisting and rolling back protectionism. A new Multilateral Trade Negotiation (MTN) round is expected to be launched soon to deal with contemporary obstacles to trade, including tariff and non-tariff barriers, and to expand coverage of international rules on agriculture, services and safeguards. It would also attempt to bring the Newly Industrialized Countries (NICs) more fully into the GATT system of rights and responsibilities. The negotiations on these issues could be lengthy.

For Canada, protectionism poses great dangers. We must have reasonably secure access to markets large enough to generate the revenues necessary for a sound return on investment and to support the further development of competitive products. To be competitive, our industries must develop world-class products incorporating the finest technologies and materials available at home or abroad. We require heavy investments of human and financial capital and long-term production and marketing strategies.

It is difficult to close the circle of industrial competitiveness and successful marketing within the relatively small domestic Canadian market. For many industries, secure access to a larger market is a necessary precondition of competitiveness. The rise of protectionism abroad threatens to reduce our access to key foreign markets, especially the United States, with potentially damaging consequences for our industrial structure and national prosperity.

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International Debt

In recent years, North-South interdependence — that is relations between the Third World and the industrialized countries, including Canada — has increased dramatically. From 1970 to 1982 total industrialized country exports to developing countries rose from (U.S.) \$42billion to (U.S.) \$291.6billion while, over the same period, developing country exports to the industrialized world rose from (U.S.) \$40.4billion to (U.S.) \$322.6billion. (Canada sells proportionately less to the Third World than does the U.S.A., Japan or the