

lessen the capacity for effective collective management of the international economy. The institution of annual economic summits, involving the heads of government of the seven major noncommunist industrialized countries and the European Community, reflects a recognition of the need to strive for a measure of consensus among the world's major economies on fundamental issues. However, recent experience suggests that the system of collective economic management has not been as effective as might be hoped. The severity of the 1981-82 recession, for example, was partly attributable to a lack of policy coordination by the leading industrialized nations. The instability evident in international foreign exchange markets in recent years has also proven difficult for the governments of the major industrial countries to deal with. What is needed among the leading economies is a greater degree of coordination and consensus on such key macroeconomic issues as fiscal policy, monetary policy, and exchange rates. Other issues, such as the rise of protectionism and the Third World's debt difficulties, also require a more coordinated response from the major economic powers.

Acting alone, there is little that Canada can do to strengthen global economic management or to improve policy coordination among the key industrialized states. However, a priority for Canadian international economic policy should be to seek such strengthening and improvement whenever we can. We must work with our major trading partners and fellow industrialized countries to grapple with economic issues that cannot be addressed effectively by countries acting in isolation. The recent successful effort by the five largest industrialized countries to institute a more coordinated policy on exchange rates offers but one example of the benefits that can flow from more effective collective economic management. Because of their preponderant economic influence and their similar values and economic systems, the leading Western industrial countries have the potential to act as