

agreements between governments and arrangements by multinational corporations and trade unions.

While such developments should be beneficial for Canada's economic growth, the constant danger that sovereignty, independence and cultural identity may be impaired will require a conscious effort on Canada's part to keep the whole situation under control. Active pursuit of trade diversification and technological co-operation with European and other developed countries will be needed to provide countervailing factors. Improvements in United States relations with the Soviet Union and China—which would seem quite possible within the decade—would enhance Canada's peace and security but would also reduce trading advantages which Canada now enjoys with Eastern Europe and China. In general, United States developments and policies are bound to have profound effects on Canada's position during the seventies, even though there is no reason to believe that the United States Government would consider intervening directly in Canadian affairs.

National incomes will continue to increase at a constant and rapid rate in developed countries. However, there could be disturbances in the inter-related fields of finance, trade and economic activity generally. Individually, countries will probably experience balance-of-payments and other crises. There is a continuing temptation to autarkic policies which could be very unsettling to the varying patterns of trade.

Technological advances can be expected to produce rapidly-changing evolution in the world economic situation. The internationalization of industry, largely in the form of multinational corporations, appears to be a firm feature of the future economic scene and one which governments generally may have to grapple with more consciously and more frequently in future. The international machinery and internal arrangements within the major industrial countries should be able to prevent a major economic crisis from occurring, but developments of sufficient magnitude and duration to disturb Canada seriously could take place. The Canadian Government has a clear interest in sustaining the effectiveness of the international agencies concerned, and in maintaining close relations with governments in the key countries with a view to encouraging the right kinds of policy.

Canada must earn its living in a tough and complicated world. Perhaps the hardest choice in this area of policy—one which arises frequently out of today's economic realities—will be to maintain a proper balance of interest and advantage between Canada's essential needs in ensuring health and growth in its economy and Canada's determination to safeguard its