ity of mutual nuclear deterrence between the two super-powers. The Canadian interest was somewhat ambivalent, however, since U.S. forces and bases in Canada were viewed as posing problems for Canadian sovereignty.

With the continuing development and improvement in long-range nuclear-armed missiles and in radar detection systems, the relative importance of the bomber threat declined. The United States had less need for Canadian territory and, to some extent, for close Canadian involvement and participation in North American strategic defence planning. As a result of these technological developments, the level of interdependence in the Canada-U.S. defence relationship has remained static or declined somewhat in relative terms over the 1960s. The gradual improvement in U.S.-U.S.S.R. relations and the conclusion of various agreements between them to reduce the risks of confrontation have reinforced this trend.

Nevertheless, Canadian territory, airspace and coastal waters continue to be of key importance for the strategic defence of the United States, and the Canadian interest in contributing to the maintenance of stable nuclear deterrence is undiminished. Defence co-operation between the two countries remains firmly anchored and close, but the momentum of the Fifties and Sixties toward closely-integrated and structured defence arrangements has abated. This situation could change, of course, as a result of technical innovations such as the introduction of new defence and warning systems, or a return to a more active military confrontation between the super-powers.

Economic arena

By contrast, in the economic field, the continental pull has operated strongly throughout the postwar period and has developed its own built-in momentum. The North-South pull has, of course, been a factor throughout Canadian history. At the time of Confederation and until the 1920s, however, there were strong countervailing forces promoting an East-West bias in Canada's economic development and in its trade and financial relations across the Atlantic. These were buttressed by the national economic policy introduced following Confederation. The development of the transcontinental railways in Canada, the subsidization of freight rates and the establishment of protective tariffs for Canadian secondary industry were deliberately designed to strengthen economic ties across Canada and to encourage the development of the West through the export of agricultural staples, mainly to Britain and Europe. Over time, however, the exploitation of our mineral and forestry resources assumed more importance and these found a large and expanding market in a rapidly industrializing United States. The economic axis was gradually turning in a North-South direction. While the conclusion of Commonwealth preferential arrangements in 1932 during the Depression gave new impetus to Canada's trade with Britain and other Commonwealth countries, annual U.S. capital flows into Canada had already surpassed those from Britain, and the establishment of these preferences encouraged U.S. firms to set up branches and subsidiaries in Canada to take advantage of export opportunities in Commonwealth markets.

In the postwar period, the economic pull of the United States became stronger still, while the countervailing influence of Britain, Western Europe and the Commonwealth diminished. The U.S. need for Canadian resources became more intense. The rapid development of Canadian mineral and newly-discovered petroleum resources was financed mainly by U.S. capital. Large inflows of U.S. capital, mostly in the form of direct investment, were also encouraged by the increasing importance of the Canadian domestic market, by competition among large U.S. firms and generally by a hospitable investment climate. The availability of capital from Britain and Europe was circumscribed until the 1960s by the need to carry out the reconstruction and modernization of their economies. The phenomenon of large, multinational corporations, most of them U.S.-owned and U.S.-based, made its appearance during this period. It added a large new dimension to the interpenetration of the Canadian and U.S. economies and led to a further concentration of Canadian trade with the United States. By the late 1960s, nearly 8[illegible] per cent of the export and import transactions of U.S. subsidiaries in Canada were with their parent companies and affiliates in the United States.

In the new circumstances of the postwar period, Canadian economic and trade policies underwent major changes. Canada played an important role in the establishment of a multilateral trading system under the General Agreement on Tariffs and Trade, and vigorously supported efforts to reduce tariffs and restrictions to trade on a multilateral and non-discriminatory