

The European Community, in turn, can look for major increases in exports of industrial goods to Eastern Europe and the Middle East. In Europe, as in the rest of the developed world, industrial adjustment will undoubtedly shift the mix of production in the decade ahead.

These trends suggest that firms in Canada and the Community will find increasing scope to do business with one another and to cooperate in developing opportunities in third markets.

Government industrial policies will have an important influence on the development and performance of Canadian and Community industries. In both the Community and Canada these policies are undergoing change — in part because of internal developments, and in part in response to changing global economic circumstances, including energy price changes. Within the Community, some sectoral strategies have been developed to deal with problems of excess capacity and restructuring. For the long term, the Community is developing sectoral policies in key growth areas, such as microprocessing and aerospace, and monitoring change and promoting innovation through research in these and other sectors.

A similar process is underway in Canada, currently focusing on a major review of twenty-three sectors of Canadian industry. The purpose of these studies, which involve the active participation of the private sector and of provincial governments, is to identify more sharply the prospects for a more self-sustaining and internationally-competitive industrial base and the policies most likely to achieve this objective. The results of these exercises should enable both Governments and the business communities to identify with more precision those sectors which offer the greatest scope for joint ventures and other forms of mutually advantageous business links.

Generally, there is a closer relationship than ever before between production, international investment flows, and international trade. This basic phenomenon is illustrated by the high percentages of Canada-USA and EC-USA trade accounted for by intra-corporate activities. This suggests that the major determinant of future Canada-Community economic relations will be the extent to which the respective private sectors perceive it to be in their commercial

interest to develop increased ties with each other. Indeed the success of the framework agreement will depend on the extent to which the essentially private sector initiatives are facilitated by the activities conducted under it.

It would appear that the greatest immediate potential lies in industrial cooperation in sectors in which a natural economic complementarity can be built upon and in certain high technology sectors. Under the framework agreement working groups involving the private sectors of Canada and the Community are conducting a variety of activities in the areas of forest products, metals and minerals, aerospace, telecommunications, computer software and in the nuclear field.

Both Canada and the Community are facilitating the development of high technology industries, believing that growth in these industries will be a major factor in the continuing strength of their industrial sectors. The cost and complexity of developing high technology processes frequently make it advantageous for companies in more than one country to cooperate.