

on one foreign market -- namely that of the United States -- Canada has broadened and consolidated her industrial structure. It is unquestionable that the international economic environment of the fifties and sixties has been favourable to both our countries and that the commercial and industrial strategies pursued by our respective business and government leaders have met with a large degree of success.

Why not stick with these strategies, then? Why search for new forms of international economic relations? Why should Japan and Canada actively consider a programme of industrial co-operation?

The short answer is that the policies of the past, no matter how successful, are not likely to be the most appropriate for the future. The structure of the world economy is constantly changing. The changes have been particularly dramatic, in the last few years, in the field of energy and resources; but we expect the need for policy changes to be as great in other fields of industrial activity, even if it will be possible -- hopefully -- to introduce them more gradually. The call of developing countries for a "new world economic order", for example, may not immediately threaten the competitiveness of our industries; but one way or another, it is bound to bring about eventually a greater penetration of our markets by third world producers of consumer goods.

Accordingly, we believe that higher energy costs, scarcer resources and stronger competition from low-wage developing economies will force countries like Japan and Canada to alter regularly their commercial and industrial strategies in the years to come. Greater efficiency in manufacturing will have to be achieved through larger-scale operations and constant improvements in production processes; still more specialization and more integration of industrial production will become necessary, this time on a world scale. To bring about these adjustments, industrialized economies will have to undertake a great variety of technological developments and massive capital investment programmes. No doubt a large economy like that of Japan, perhaps even a fair-sized economy like that of Canada, could afford to undertake these adjustments on their own and in an unco-ordinated fashion; but unquestionably, this would be the most costly and wasteful way to go about it. The more rational alternative is international co-ordination; and this is why the Canadian Government is attempting to work out programmes of industrial co-operation with Canada's principal economic partners. The discussions we have had in recent months with a number of European countries, particularly Germany, France and Sweden, have been most encouraging; and we hope that our proposals will be equally well received by the Japanese authorities.