

or (c) Canada can pursue a comprehensive long-term strategy to develop and strengthen the Canadian economy and other aspects of its national life and in the process to reduce the present Canadian vulnerability.

The first option -- maintaining the present position in relation to the United States with a minimum of adjustment -- would involve pursuing the same general trade and industrial policy to which we are accustomed. There would continue to be a large degree of laissez-faire in our economic policy. The multilateral, most-favoured-nation approach would continue to rule in trade policy. We would go on trying to get better access to United States markets, to maintain some form of special relation with the United States. Industrial development would continue to be export-oriented to a considerable degree. Exports generally would still be dominated by commodities and semi-processed goods. No doubt we should continue trying to diversify our exports while avoiding so far as possible any greater degree of dependence on United States markets. We should try also to obtain more employment in Canada through a greater degree of processing of Canadian commodities. But this would be essentially a pragmatic option. We should deal with the issues as they arose, and not concern ourselves greatly about where the broad tendency of our policy was leading us, or whether the various parts of our policy were guided by a single sense of direction and purpose.

How well would this option work for us in practice? That would depend on the relative success we had in maintaining our position in United States and other markets. The costs of this option would vary accordingly. But suppose we take an optimistic view. Suppose the United States does not turn protectionist, and suppose an open world-trading system brings Canada success in other markets as well. We might pursue this option for some time with apparent success. But the fact is that the continental pull has a momentum of its own. Therefore there is a risk that, in pursuing this purely pragmatic course, we should be drawn more and more into the United States orbit. And remember, even this is on optimistic assumptions. In appearance, we should be following a policy intended at least to maintain, if not improve, our present relative position. But in fact, we might be falling behind.

The second option would be closer integration. This could mean many things. It could mean more arrangements like the Auto Pact, confined to particular industries. These arrangements, we know, have advantages. But they create difficulties too. They could put us at a bargaining disadvantage both with the United States and with other trading partners. We might come to the conclusion that something more extensive was necessary -- a free-trade area or even a customs union. Either of these would lock us permanently into arrangements with the United States that, in themselves, might appear to be to Canada's material advantage. But would they increase our independence?

In fact, were we to pursue this option, we might be forced to the conclusion that the only way we could compensate for the overwhelming economic power of our partner would be to opt at the same time for some form of political union. In this way, we should seek to obtain maximum direct influence over the economic decisions that affected us.