

Venezuela and Mexico in an initiative in the Caribbean Basin which combines many of the elements of reform to which I have referred and whose goal is to get at the social and economic conditions which cause instability and revolution in the first place.

Finally, of all the challenges facing Canada and the United States in the 1980's, the preservation of the international economic system is perhaps the most basic. Unless the Western economies can be put well and truly on the road to recovery, the other challenges could go by default. How will we come to grips with the problems caused by subsidized agricultural exports? At a time when our automobile industry is in trouble, how will we deal with massive imports of automobiles and still preserve the liberal international trading system? More fundamentally still, what will happen to our traditional industries in the face of low-wage cost competition from the Third World? These are difficult enough questions in the best of times. They are much more intractable when governments are facing record levels of unemployment.

In the present recessionary cycle, we must resist protectionist pressures. Protectionism in one guise or another-- from technical standards to notions of reciprocity-- may be good short-term politics. But we all know that prosperity is far better politics. It is trade liberalization not protectionism which has led to the unprecedented prosperity of the post-war era. The tariff cuts agreed to in the Multilateral Trade Negotiations will be phased in by 1987. We must ensure that they are not replaced by non-tariff barriers. The GATT dispute settlement machinery must also be made to work effectively. The GATT Ministerial Meeting later this year will be a major test of our commitment to preserving the open international trading system.

The picture is not one of unremitting gloom. The market economies continue to sustain high standards of living. If we think we have troubles, we have only to look at the Eastern Bloc economies, at Poland and the last five-year plan in the Soviet Union. Without major reform, those economies, which have never provided much freedom, seem destined not to produce much bread either.

I would like to turn here to the challenges ahead for Canada-U.S. bilateral relations, for it is in the economic area that our two countries appear to be experiencing difficulties at the moment.

Canada is one of the world's greatest trading nations. We export over a quarter of our GNP, compared to the United States which exports about 8%. Canada and the United States have the largest bilateral trading relationship in the world. Your