

Our trade with the U.S. accounts for nearly three-quarters of our total exports. And, despite occasional efforts to reduce its importance and send our exports elsewhere, the percentage keeps growing. Yet there are bears in the woods. The U.S. Congress is volatile. Protectionist sentiment in the States is strong and is not likely to diminish. If anything, it is likely to increase, and we have had a number of close calls and active threats to our exports in an amazing variety of sectors. In recent years, Canadian producers of softwood lumber, steel, copper, mass transit equipment, cement, fish, and hogs and pork have experienced the uncertainty and frustration of threatened or actual restrictions. Most of them were not intended primarily against Canada -- we got sideswiped by measures aimed at other countries. But the effect on the producer, and the implications for the investment climate in Canada, was no less.

If we are to protect our trading interests in the vital U.S. market, we must examine, and urgently, the options for Canada-U.S. trade relations. The discussion paper will attempt to do that, to set out the options that can serve as a basis for formal and intensive consultations between the Federal Government and other sections of society, including business, labour and consumer groups and the provincial governments.

It must be kept in mind that a large proportion of our two-way trade is already tariff-free. Even so, any new trading arrangement with the U.S. would raise some serious questions here at home. Among them are:

-- the relative competitive strength of our industries;

-- the special measures of adjustment and transition which might be needed;

-- and the anxieties of those concerned with Canadian identity in any proposal for a closer relationship with the United States.