

the country a marked confidence in who we are and where we are going. As *MacLean's* magazine put it earlier this year in summing up a national poll: "Treading water is no longer our national sport. Instead of cringing before uncertain economic indicators, shaking fists at politicians or bowing to hidebound social restraints, most Canadians at mid-decade are confident about themselves and optimistic about their country.... Instead of condemning the past, dreading the present and nervously squinting at the future, Canadians seem delighted with their lives and prospects."

Obviously, that new Canadian self-confidence gives us more latitude in our relations with the United States. While it took odd forms, many Canadians were afraid of the US. We think there is less of that now, just as we believe there is less fear of the rest of the world. And, from the Government's point-of-view, that new Canadian confidence could not have come at a better time. Because if attitudes at home allow us to venture more actively into the world, international economic developments leave us no choice.

For example, between 1970 and 1982, Canada's share of manufactured exports to other market economies declined from about 4.8 per cent in total to 3.6 per cent. In 1968, we exported about as much as Japan; today, Japan exports twice as much as we do. While previously Japan was the only competitor, whose export-led strategy caused our industries difficulties, now there are several more — among them, South Korea, Hong Kong and Singapore. In a world transformed by innovation, the percentage of our gross domestic product devoted to research and development is about where it was in 1971, while that of most other major industrialized countries has moved upward significantly. Our productivity trends raise concern. To take one example, the United States, our major trading partner, remains more productive than we do. There is evidence that Japan has drawn ahead of Canada in absolute manufacturing productivity. Those reflect international developments we cannot ignore.

Canadians understand, in general terms, the need to become more competitive. The sense that a change was needed was part of the reason our new Government won such a dramatically national mandate. As I mentioned earlier, we are still seeking the views of Canadians about the most effective ways to achieve change, including the possibility of fundamental changes in the structure of our relations with the United States.

That, however, is only one element in managing the complex web of interchanges that characterizes the Canada-United States relationship. Independent of the structural issue has been the profound change in attitude that the new Government has brought to the management of our relations. There has to be understanding, a measure of trust and a firm acceptance that mutual interests must be accommodated and supported.

The meeting in Quebec City last week was the outcome of a process that was proposed to Canadians throughout the summer, and supported on election day. It is based on the full knowledge that there will always be significant differences between our two countries, and some difficult problems. But we believe that, in the words of President Ford, we can "disagree without being disagreeable".

The most urgent international issues today are economic and the first on the time-table concern trade.

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