

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 gross national product, compared to the United States which exports about 8 per cent. Canada and the U.S. have the largest bilateral trading relationship in the world. Your trade with us is almost as large as your trade with the entire European Community, almost twice your trade with Japan, and about three times your trade with Mexico. You have approximately \$70 billion invested in Canada and we have about \$13 billion invested in your country. I recite all this arithmetic simply to underline the importance of Canada-U.S. economic relations. Clearly we both have a great deal at stake.

**Pro-Canadian
economic
policies**

Our relations are currently undergoing some stresses and strains. This is perhaps inevitable in so extensive and dynamic a bilateral relationship. Nonetheless, from the perspective of some Americans, including *The Wall Street Journal*, the Canadian government seems embarked upon a course of radical economic nationalism. We hear Canadian economic policies described as "unfair", "interventionist", and even "anti-American". Naturally we are concerned. We are anxious that those policies be understood for what they really are. They are not anti-American. They are pro-Canadian. They are also judicious and reasonable responses to real Canadian needs.

U.S. criticisms of Canadian trade and investment policies centre on the Canadianization aspects of the National Energy Program (NEP) and on the Foreign Investment Review Agency (FIRA). Neither of these policies can be fairly described as radical economic nationalism. I think if you look behind the more extreme characterizations of Canadian policies, you will find a certain unconsciousness of the differences between the Canadian and American economies.

I am convinced that on reflection and with all the facts, most Americans would concede that Canadian policies are at least within the bounds of reasonableness. We, for our part, have been willing to listen to American concerns. We have, for example, modified some provisions of the NEP and we are reviewing FIRA's procedures to ensure that they are timely and efficient. We have also said that the NEP is not a blueprint for action in other sectors. Neither side, I should add, has a monopoly on grievances in trade and investment, or other areas of the bilateral relationship.

Close relations

What are some of the challenges ahead in these other areas? In defence and in defence trade, we have long enjoyed the closest of relations. Last March, during President Reagan's first visit to Ottawa, the U.S. and Canada renewed the North American Aerospace Defence Command (NORAD) Agreement and reaffirmed the Defence
