

all know it must -- American businesses will have lost some of their offshore markets and it will take years to regain them. Some American companies might themselves move offshore to stay competitive, and some might go under -- capsized, as it were, under the weight of a very muscular currency.

There is, of course, one hidden benefit to the strong dollar. By making foreign imports more competitive than they would be otherwise, it has encouraged American business to shed some residual fat, to become leaner and more competitive. If and when things get back to normal, these companies will be in fighting trim.

The rise of the dollar has also put pressure on America's partners, who have had to adjust by raising interest rates or letting their exchange rates drop. The consequences of our adjustment have been negative, particularly on interest-sensitive spending and investment, and on the price we must pay for American imports.

Many reasons have been advanced for the strength of the dollar, and most have some validity. But it all goes back to the budget deficit. For this reason, we in Canada are pleased by the recognition by U.S. authorities of the need to reduce the deficit, one way or another. Cracking the deficit should have a lot of pleasant effects. It should contribute to increased personal consumption and encourage business investment. That should keep the business recovery on a steady footing in the U.S. Moreover, with the money markets under less pressure from government borrowing, interest rates should go down. And that will definitely strengthen the international economic environment.

This is important, for as the American economy settles down to cruising speed, there will be a need for other economies to pick up the pace. If a healthy world growth rate is to be maintained, other countries -- particularly Japan and Western Europe -- are going to have to open up their economies, to encourage the investment and trade that will promote growth. The problem we face is how to talk them into opening up.

Perhaps the most troubling aspect of the current situation is the resurgence of protectionist pressures throughout the world. Let me be very plain about this. Trade Ministers do not like protectionism.

The effect of protectionism is to isolate domestic industries by reducing their need to be competitive. At the