

North and South are inter-linked. East and West are mutually vulnerable. But there is a third modern reality and I would like to discuss it today -- one whose implications we all have been slow to grasp -- the emerging global economy of interdependent industrial states. It transcends trade barriers and the massive debt problem. It goes to the heart of our national values and the way we structure our political economies. It increases the opportunities for all to gain and amplifies the risks that all may lose.

Managing this phenomenon in the common interest is perhaps the most complex challenge facing contemporary governments. Mastering it demands political will to shape new attitudes, to develop new policies, and to adapt institutions to the coming age.

#### CANADA-U.S. INTERDEPENDENCE

Nowhere are the outlines of the coming age clearer than in North America. And nowhere is the idea of interdependence more advanced and the reality of it more vital than in Canada and the United States. For each has developed as a nation by understanding and managing the interdependence of its various regions.

The relationship between our two countries stands as a prototype of the emerging global economy. The linkages between us are vast. We are each other's best markets by far. The United States exports more to Canada than to anywhere else -- the United States exports to Canada are almost double U.S. exports to Japan and greater than U.S. exports to Britain, France and West Germany combined. For our part, fully 70 percent of our exports go to the United States.

But trade statistics, impressive though they be, tell only part of the story. Seventy-five percent of that trade takes place between the Canadian and the U.S. branches of the same companies. Businesses in both countries have invested huge amounts of money on the other side of the border. Whole industrial sectors have become integrated. So, by the time a new Chrysler van is sold in Detroit it is neither American nor Canadian but a truly North American hybrid.