

What about trends? The United States' share of our exports and of imports has grown gradually over the years, particularly as the proportion of traditional transatlantic trade declined. The growth of U.S. investment in Canada has followed a steeper upward curve. The United States share of net direct foreign investment in Canada has been running recently at 80 per cent to 90 per cent of the total.

Project these figures some years ahead, taking into account the recent acceleration of economic polarization, and you will readily understand Canadian anxieties. You will understand why we were so concerned about the 10 percent surcharge on imports by the United States Government in August 1971 in order to help meet your balance-of-payments deficit.

It was against this economic background that the Canadian Government embarked on a comprehensive assessment of our relationship with the United States. Basically we were confronted with one towering dilemma: whether or not interdependence with a giant super-power would impose an unmanageable strain on the conception of Canadian identity and on a number of key elements of our independence. Put another way, the question before us was: "Is it possible to devise a means of living distinct from but in harmony with the United States?"

The question was essentially one of direction. To my colleagues and me there appeared to be three broad paths of options open to us:

- (1) We could seek to maintain more or less our present relationship with the United States with a minimum of policy adjustment.
- (2) We could move deliberately toward closer integration with the United States.
- (3) We could pursue a comprehensive, long-term strategy to develop and strengthen the Canadian economy and other aspects of our national life and in the process to reduce the present Canadian vulnerability.

The first option would maintain more or less intact the present pattern of our economic and political relationship with the United States. It would involve a minimum of deliberate policy change. Its virtue lies in its appearance of cautious pragmatism. However, this option assumes a static situation which does not exist. It ignores the strength and momentum of the continental pull, which could, in time, overwhelm us.

The second option accepts the proposition that the intensifying relationships inherent in modern society and in economies of scale must lead to closer integration with the United States. There are undoubtedly some attractions to this in material terms.

It can be argued that the Europeans are moving in this direction and are doing so successfully. However, the parallel does not stand up to inspection. European identities are older and their roots more deeply anchored. The Common Market countries are much more equal in resources and power.