

major industrialized country without unimpeded access to a market large enough to permit substantial economies of scale. To foster growth through trade, we must obtain more secure and improved access to foreign markets on the broadest possible basis. This implies as well that Canada will also have to do more to increase access to its domestic market.

The United States is an increasingly dominant market for Canadian exports. We are each other's largest market and also each other's largest growing market. Two-way trade between Canada and the United States is well in excess of \$100 billion US. That is a lot more than US trade with either the EEC or Japan. US exports to Canada in the first six months of 1984 are up one-third over the same period in 1983 and our exports to the USA have risen proportionately.

As you are no doubt aware, the Canadian and the United States governments have been considering whether there are sectors where bilateral arrangements could be negotiated for more liberalized trade. Under existing agreements by 1987 approximately 80 percent of Canadian exports to the United States will be duty-free. However, there remain significant tariff barriers and an array of non-tariff measures which substantially impede bilateral trade in both directions. The Government announced last thursday that it will be examining all avenues to secure an enhanced market access, including a careful analysis of options for bilateral trade liberalization with the United States....

Over the years some Canadians have feared a pervasive American presence. However, the new Government believes that its mandate for change is a reflection of a new maturity in Canada, a greater degree of self confidence. This has been accompanied by a burst of new vitality and accomplishment — in our literature, science, investment, invention, painting, sport — you name the field. Even our chefs excel internationally. And our hockey teams by the way — two of which operate out of New York — are back on top!

Confidence and accomplishment nourish one another and it is felt we are now better able to stand on our own than we have ever been. The modern purpose of Canadian nationalism is as Mr. Clark said "to express ourselves, not to protect ourselves."

A closer relationship with the United States does not mean an end to our problems. We have different systems, different views and different priorities. Air quality, although certainly a shared preoccupation, has not, thus far, lent itself to resolute and urgent complementary and concerted measures.

As a trading nation Canada needs to promote freer trade. We have to examine the options and weigh the costs and the advantages to strike a balance that enhances Canadian interests. We have a high stake in an open multilateral trading system. What better place to look first than to our own backyard with our predominant trading partner?....

The Canadian government believes its mandate for new direction includes encouraging the harnessing of the larger national interests of our two countries under an overriding theme of cooperation. Specific problems can be better

managed in a positive political perspective. To achieve this objective, which we believe is shared by the US administration, we will be looking at a variety of techniques: more secure trading arrangements; even better consultative arrangements between administrations; closer links between Members of Parliament and Congress; new institutional approaches which might assist in the management of the Canada-US trade and economic relationship; and more informal communication on the part of private citizens, and business community to business community.

More institutional predictability in Canada/US relations is an antidote to a situation where Canadian interests are increasingly subject to the American domestic process. I am not suggesting that problems will come to an end; frequently there is no quick fix to some of these problems. But we must not allow them to pollute the general relationship....

Some concern has been expressed in Canada that the new closer relationship between the Canadian and US governments will mean that Canada will have to shave its diplomatic activity elsewhere in the world in order to avoid disagreement with the USA over issues which seem secondary, so as not to reduce our bilateral leverage on key issues. From what I have seen and heard from Mr. Clark and the Prime Minister, I do not believe this fear to be justified. Canada and the USA have quite different roles on the world stage, and we will continue to call issues as we see them from our perspective. However, when we take a stand it will be rooted clearly in our national interests, and it will be expressed in a way which is meant to help the situation and not simply to reflect difference for its own sake.

Last word to the Author.

The failure to work out a satisfactory relationship with the United States has troubled, distracted and divided Canadians since Confederation and before. That is not to say that relations have been bad: most of the time they have been good, and at their worst they have at least been peaceful for some 170 years. Few pairs of neighboring countries can make that claim, particularly when one is a great power and the other relatively weak. When the worst that Canadians can find to say about the relationship is that the US government is sometimes careless of their interests or rude to their Prime Ministers, they are saying in effect that they do not expect their mighty neighbor to behave as other great powers. Nevertheless, Canadians do fret about the United States. They are never quite sure what the United States may do to them tomorrow, by accident or design, and the United States often serves as a handy scapegoat for the deficiencies of Canadian policy and management of public affairs. Through much of Canadian history, it has been easier to blame the United States for problems than to solve them, and this has contributed to the Canadian sense of inferiority.

By acting boldly to establish a new and more stable relationship with the United States, Canadians could begin to relieve themselves of that corrosive feeling of inferiority and could free their energies to solve those problems that are under national jurisdiction. No relationship could ever