

The second option would be closer integration. This could mean many things. It could mean more arrangements like the Auto Pact, confined to particular industries. These arrangements, we know, have advantages. But they create difficulties too. They could put us at a bargaining disadvantage both with the United States and with other trading partners. We might come to the conclusion that something more extensive was necessary - a free-trade area, or even a customs union. Either of these would lock us permanently into arrangements with the United States which in themselves might appear to be to Canada's material advantage. But would they increase our independence?

In fact, were we to pursue this option, we might be forced to the conclusion that the only way we could compensate for the overwhelming economic power of our partner would be to opt at the same time for some form of political union. In this way, we would seek to obtain maximum direct influence over the economic decisions which affected us.

I have pursued the logic of this option to the point where its difficulties will be plain to you. It has undoubted attractions in material terms. There is a sort of parallel in it to the movement towards European unity. But the parallel breaks down on examination. There is a world of difference between the internal balance which can result from economic and political union of a number of European societies, which positively desire to overcome old enmities through union, and the internal balance which would result from the union of two North American societies, one of which is so immensely powerful that the other must struggle to maintain its distinctiveness. The Europeans can, if they wish, make a dish fit for a king. I am afraid all we could do in North America would be to bake a horse-and-rabbit pie, with one horse and one rabbit.

And all of this is without asking whether either Americans generally or Canadians generally would want union. I would not try to predict what the reaction might be in the United States. In Canada, I would expect almost any form of closer integration to arouse more opposition nowadays than proposals of this kind have in the past; and I would expect the opposition to come from all parts of the country.

The third option would be to decide that, over time, we would work to lessen the vulnerability of the Canadian economy to external shocks, especially those from the United States. Our purpose would be to re-cast the Canadian economy to make it more rational and more efficient as a basis for Canada's foreign trade. The basic nature of the economy would remain unchanged. The option would mean encouraging specialization, rationalization and the emergence of strong Canadian-controlled firms. Our domestic base, a prosperous nation of 22 millions, should be adequate to produce efficiency in all but the most complex and capital-intensive industries. We would still depend for a great deal of our national wealth on our success in exporting goods and services. But we would deliberately broaden the range of foreign markets in which we could successfully compete. We might also find that Canadian firms could provide a higher proportion of our domestic needs - not because we were deliberately trying to reduce our dependence on imports, but simply because they were the most competitive suppliers. There would be no question of retreating from our fundamentally liberal trading policies into protection, or of abandoning the most favoured nation principle in trade