

small population contribute to inefficiencies. With small production runs, no advantage can be taken of economies of scale. We will suffer far more than the U.S. if we allow our near-sighted over-concern with sovereignty to defeat our efforts to conclude an agreement. We must recognize that trade is the most important means of transmitting technological and industrial innovation, which is absolutely essential to a country if it is to remain competitive.

And it would be even more tragic if this failure were to eventuate from considerations of loss of sovereignty on the part of Canadians that are completely irrational. After all, we are talking free trade, not a common market with an open border to workers, a common external tariff, a common taxation policy and a common competition policy. If the nations of Europe have remained comfortable and secure in their national identities in the face of a startling surrender of protectionist prerogatives, why should sensible Canadians feel threatened by the more moderate concessions they will be called upon to make in the interest of mutual prosperity.

Most Americans agree with most Canadians that both countries are better off as good, but independent, neighbours than they would be if joined together -- even supposing the political barriers in the way of such a union were not, as in fact they are, insuperable. This being so, the sovereignty of each country is important to the other. Notwithstanding yesterday's reported remarks of your trade ambassador, Clayton Yeutter, it is ridiculous to compare the relative risks to Canada and the