

Yet, the two countries are becoming increasingly interdependent and the issues between them accordingly greater in number and complexity. In these circumstances, relations are likely to become more, not less, difficult. As interaction increases, conflicts of interest and differences of view are bound to develop. Both governments are becoming increasingly involved in a wide range of domestic social and economic activities many of which turn out to have foreign policy implications. Two years ago federal financial assistance was extended under the DREE programme to the Michelin Tire Corporation to locate in Nova Scotia. This was regarded by many in the United States as an attempt to subsidize an export industry, and as a consequence the United States applied countervailing duties on this Canadian export. This is a striking example of how a domestic programme, in this instance one designed to remedy regional economic disparities, can become an issue in our relations with the United States.

Although this new period in our relations with the United States will be complex and at times difficult, our approach to it should be positive. The fact is that fundamentally the relationship is a healthy one. We must remember that Canada and the United States continue to share similar views, and cooperate closely, on a whole range of important international issues. Our perceptions of what the new political and economic international environment requires have many points in common. Also we are each other's best friend by choice and circumstance and we will remain so.

To respond to this new situation there is a new pattern developing in the management of our relationship which, in my view, will help to promote harmony and is in keeping with the new character of that relationship. It consists of analysis of the particular national interest to be served, followed by consultation, discussion or negotiation with a view to reaching a mutually acceptable settlement of the particular problem. One of the most important ingredients in this process is that of regular consultation and discussion.