

Canadian interests, but in the wider, not narrower, sense. Nevertheless, there are limits to the available options. We are exposed to an international environment over which we have incomplete control. But it provides us with opportunities since others, even the great powers, also face constraints. Finally, it conditions significantly our relationship with the United States, which will inevitably be a key player in all important areas.

Canadian Policy and the Current State of Relations with the United States

As this decade got underway, the Government, in response to these changes in the international system, began a foreign policy review which led to a number of innovations, including the development of relations with the Soviet Union, and the recognition of China. There was a time when these measures were misunderstood in the United States. This undoubtedly had implications for bilateral questions. However, the foreign policy changes which flowed from the Nixon Doctrine, and United States rethinking on many of these same questions, has meant that the Canadian and American perceptions of the political and strategic aspects of the external world are again largely in parallel.

Moreover, our views on the larger multilateral trade and payments question are broadly similar during this period of substantial change in the international monetary and trading world.

But the economic relationship between the two countries has greatly changed. Since August 1971, the United States has been pursuing what is called the New Economic Policy. Canada, for its part, has been intent on strengthening its economy, and diversifying its external economic relationships, in order to reduce its vulnerability. We have each acted in response to domestic and international circumstances in pursuing separately our own perspective of our national interest.

Nevertheless, the United States and Canada remain each other's most important customer. In fact the trend for the foreseeable future points towards a continuation of this mutually advantageous situation.

We are no longer at a stage where the trade "irritants" of 1971 - 72 assume so much immediate importance. These have taken on a different perspective when viewed against the energy crisis and other international developments. There has also been a recovery in the United States' balance of payments.

The atmosphere is accordingly very much improved. But the situation is quite different from what it was in the 1960's. As I told the House Standing Committee on External Affairs and National Defence on March 19, we are in a period of adjustment to many domestic and international circumstances. National policies in both Canada and the United States, in several areas, such as the resources, economic and environmental sectors, will not necessarily coincide.

The Canadian objective is to expand and strengthen the Canadian identity and the Canadian economy.

To this end, our aim internationally will be to endeavour to ensure that any measures adopted will be compatible with our goals. Domestically, if we are to meet our social and economic requirements our industrial