

Congressmen are more susceptible to pressures from local interest groups and special interest groups than is the White House, and, with an election coming this fall, the frustrations have been mounting on the Hill. Last week's Finance Committee hearings on trade with Canada were the first chance the Senate had had in six months to undertake a formal examination of trade issues, and they used it to make their frustrations known.

It is still too early to measure the implications for Canada of last week's Senate rebellion. The Finance Committee vote is not scheduled until Thursday. In the meantime, we intend to hang tough, and I have informed Ambassador Yeutter -- and, through him, the White House -- of our position. As far as we are concerned, it is an internal Washington matter, and it's up to the White House to resolve it.

At the Washington Summit last month, President Reagan assured the Prime Minister that our bilateral trade talks would begin on schedule, would be on the fast track, and would have what they call "a clean launch" -- that is, no preconditions. We still expect the President to honour that commitment. He knows as well as we do that failure to do so would raise doubts, in Canada and elsewhere, about Washington's credibility and its commitment to liberalizing trade. And we have been assured that the White House is pulling out all the stops to convince the Senate Finance Committee to approve the talks -- fast track, clean launch and all.

We are prepared for whatever happens on our proposal to talk trade with the States. If this episode turns out to be simply sound and fury, signifying nothing, well and good, we'll go ahead. If not, if the confrontation between the White House and Congress turns out to be irresolvable, well, so be it. We have been prepared from the beginning for the possibility

that we might not be able to negotiate a new trade agreement with the U.S. We never said it would be easy.

Even if our bilateral talks got thrown off the track, we would, of course -- and as a matter of course, continue to address our concerns in the U.S. on a host of individual trade issues, and we would continue to explore the best possible means to secure and improve the access we have in that market.

In any case, the trade talks we proposed with the States were only one part of a broader global strategy to increase our trade. We have many other irons in the fire. Our Trade Negotiator's office is also preparing our positions for the next round of multilateral trade talks, which are due to start in the fall. And we have a major push going to promote our trade in the rapidly growing countries of the Pacific Rim.

Let there be no doubt. Our intention is to pursue the liberalization of trade throughout the world, because Canada has always been a trading nation. Our prosperity depends on our ability to trade, and we must maintain that ability in a world that is changing rapidly and growing ever more competitive.

The challenges facing us as we attempt to do this are very real. They deserve a closer look. So let me start with three generalities about the world we live in.

First generality: the world is becoming more interdependent by the day. Its economies are becoming more and more intertwined. Rather than trying to produce everything themselves, nations are trading more and more with each other. This is to the benefit of all. It has been of great value to Canada.

Second generality: trade creates