

any misunderstanding or lack of consultation on economic questions. The same holds true if there is discord on political questions. The Third Option is based, as I have said, on the diversification of our relations, not on our having to choose between our major partners and allies.

Furthermore, equilibrium must be restored in the world trading and payments systems. Otherwise economic management, both by government and by private industry, in Canada and in other trading countries, will be severely hampered. This equilibrium cannot be brought about in circumstances where the major trading nations on the two sides of the Atlantic are, as they seem at present, unable to take fully into account each other's requirements.

Similarly, our current efforts to explore with the Japanese new avenues for fruitful co-operation in economic and other matters should be seen as a natural manifestation of our diversification policy. It is also, of course, a response to the new status of Japan in industrial, commercial and also political terms.

Managing the Canada-  
U.S. relationship

How should the Canada-U.S. relation be managed in the period ahead? There exists a range of older and newer bilateral mechanisms on which the Canada-U.S. relation has relied and continues to rely.

Such mechanisms wax or wane in response to changes in the nature of the relation. In the period of the 1940s, through to the 1960s, there was a disposition on both sides to develop joint ministerial bodies for co-operation, particularly in the important fields of economics, trade and defence.

There has been less use of these joint ministerial mechanisms in recent years. Contacts between the ministerial counterparts in the two governments, either directly or through various multi-lateral meetings, have been a frequent and effective substitute for the more elaborate and more formal joint cabinet committees. Such meetings have, for instance, taken place in the past six months on foreign affairs, finance, trade, energy, environment and agriculture. There is also greater reliance on standard negotiati practices on an issue-by-issue basis. This is consistent with the emphasis given by both countries since 1970 to national rather than continental policies.

I do not believe that we need be unduly concerned that the joint ministerial mechanisms have not been employed frequently in recent years. We have found other ways to respond effectively and quickly to rapidly-changing events. Indeed, the relation is such that we can easily and quickly establish new mechanisms as required -- continuing or *ad hoc* -- to meet new situations.