

Americans. For years Americans knew the trade was significant yet assumed that there were other markets offshore which were more important. That is until the last few years, and in particular last year when our two-way trade reached \$108 billion Canadian. This was far larger than your trade with Japan, and almost as much as your trade with all the countries of the EEC taken together.

However, this recognition comes at a time when each country in the world is looking anxiously at its trading partners in order to protect its domestic market and enlarge its export opportunities. Even the best bilateral relationship between countries cannot remain unaffected by the tremendous overriding domestic pressures caused by persistent inflation, the recent record-high interest rates and rising unemployment.

The Canada-U.S.A. relationship, as good as it is, is not immune to differences of opinion. In the New England context, I'm sure you are well aware that we have not always seen eye to eye on such commodities as potatoes and fish. For our part we have had difficulty with a wide range of actions taken or proposed by the United States, including: proposed limitations on imports of uranium; suggested domestic content requirements for automobiles; the recent U.S. trucking legislation; the extraterritorial application of certain U.S. laws, particularly that relating to the export of oil and gas technology to the Soviet Union; and the countervail case recently brought by U.S. industry against imports of Canadian softwood lumber.

To a certain extent, what we are dealing with at the moment is a manifestation, a reaction, to the tremendous economic pressures felt by all countries and a general sense of frustration at the way the world is going.

In this context, Canadians can understand the U.S. preoccupation with fair trade and the consequent desire to ensure that other countries carry out their internationally agreed commitments; we do have some concern, however over certain of the measures taken in this regard, including much of the so-called reciprocity legislation. This applies particularly to the tendency to seek reciprocal treatment in a narrow sectoral basis. Such an approach could reduce trade to significantly lower levels and play havoc with the existing international trading system that has served both our countries so well since the end of World War II.

Because of our great dependence on external trade, we know that there is much to lose and little to gain from long term policies which adversely affect the free international flow of goods. For our part, we will remain receptive to the comments and suggestions of U.S. businessmen about our domestic policies. From recent conversations with officials of your administration, it appears that the U.S.