

It was against this economic background that the Canadian Government embarked on a comprehensive assessment of our relationship with the United States. Basically we were confronted with one towering dilemma: whether or not interdependence with a giant superpower would impose an unmanageable strain on the concept of Canadian identity and on a number of key elements of our independence. Put another way the question before us was, "Is it possible to devise a means of living distinct from but in harmony with the United States?"

The question was essentially one of direction. To my colleagues and me there appeared to be three broad paths of options open to us:

1. we could seek to maintain more or less our present relationship with the United States with a minimum of policy adjustments;
2. we could move deliberately toward closer integration with the United States; and
3. we could pursue a comprehensive, long-term strategy to develop and strengthen the Canadian economy and other aspects of our national life and in the process to reduce the present Canadian vulnerability.

The first option would maintain more or less intact the present pattern of our economic and political relationship with the United States. It would involve a minimum of deliberate policy change. Its virtue lies in its appearance of cautious pragmatism. However, this option assumes a static situation which does not exist. It ignores the strength and momentum of the continental pull which could, in time, overwhelm us.

The second option accepts the proposition that the intensifying relationships inherent in modern society and in economies of scale must lead to closer integration with the United States. There are undoubtedly some attractions to this in material terms.

It can be argued that the Europeans are moving in this direction and are doing so successfully. However, the parallel does not stand up to inspection. European identities are older and their roots more deeply anchored. The Common Market countries are much more equal in resources and power.

The enormous disparity in power between the United States and Canada and the relative youth of our national character place us in an entirely different position. In our circumstances the process of economic harmonization, once in motion, is more likely to spill over and to dominate other areas of our national life.

The test of the validity of this option is essentially political. The implications of integration are quite widely known to Canadians -- and the temper of my country as I judge it -- is opposed to integration.

A central purpose of the third option would be to make the Canadian economy more resilient to external shocks. The path to this objective is the development of a much more balanced and efficient economy. The option involves actively encouraging specializing and rationalization. It looks to the emergence of healthy industrial and service enterprises in Canadian hands. This course seeks to avoid the