

ents a challenge to administrators. But they are not the whole relationship between the two governments. If they were, Canada-U.S. relations would be one constant day-to-day struggle.

The relationship goes far beyond these conflicts and irritants over border issues. It encompasses the deepest structures of the Canadian economic system, and of the continent itself. The interests of the two countries are not always the same on these larger questions, but this is compensated by a recognition on both sides of the sense of long-term interdependence of the two countries which gives the complex relationship a much deeper character.

Long-term strategy

This depth calls for more than a day-to-day approach to the management of the relationship. It requires a long-term strategy, though not an adversary strategy. The two countries are not adversaries. They are deeply and fundamentally very friendly to one another. The type of strategy that is needed is one that provides for the realization of Canadian economic development objectives. This does not mean a document, or a White Paper that declares the objective. It means a coherent approach on the part of the government in pursuing Canadian interests vis-à-vis the United States. It also means ensuring that Canadian planning is done on the basis of valid assumptions.

This is not a call for a dirigiste approach or for undue emphasis on interventionism. The economic dynamics are those of the private sector and they are the basis of the relationship. Much of the substance of economic cooperation and interchange between the private sectors of the two countries takes place on its own terms. Nor does a coherent approach mean a fully comprehensive examination of all aspects of the relationship. But it does mean that relations with the U.S. must be considered in terms of Canada's own economic development and with a view to providing a more secure framework for private sector activity.

Government is responsible for the general health of the economy, and for its sound future development. There are two main areas of application in any view of Canadian economic development to meet the opportunities and challenges of the 80s: resource development in the West, and the Maritimes, as a basis for social and industrial development; and structural adjustment and development in Central Canada. Since the U.S. is crucial to both areas of endeavor, Canadians have to assess the implications of two basic facts: the U.S. takes 70 percent of our exports and U.S. ownership capital has a predominant place in our economy. In other words the terms of access to the U.S. market are vital to Canada and many basic investment and other decisions in the Canadian economy are taken by managers of U.S. based corporations. Thus Canadian economic development depends to a large extent on the economy and well-being of another country.

These facts, however, provide leverage to both countries. While the U.S. market is vital to Canada, many Canadian exports are vital to the U.S. While U.S. based interests have great influence over the nature and pace of economic development in Canada, they also have a high stake in participating in Canadian development in a manner which is as creative and productive as Canadians feel they have a right to expect.

While the two governments do not run the economic relationship in a day-to-day sense, they are necessarily

involved in a general way. The nature of the Canadian economy and society has required government involvement to channel aspects of long-range development in beneficial ways. Similarly, it is axiomatic that the benefits of development have to be worked at by Canada. They will not fall out of a free trade, free investment, free-for-all continental economy. This is not an option for Canadian development. Benefits for Canadian industry, however, do not necessarily mean a cut to U.S. private interests, but Canadian policy needs to adopt a strategic approach to succeed. How do we use the levers we have? How do we use our strengths to compensate for our weaknesses? How do we serve the interests of all the country and not just a part? The answers to these questions are the basis for planning for the relationship with the United States.

Canadian vulnerability

It is going to be a difficult and dangerous world in the 80s and 90s. Canadian vulnerability to its swings, shifts and shocks, calls for the development of instruments which give the national interest some increased discretion over developments. This is what the Canadianization part of the National Energy Program intends to do. The U.S. government understands this clearly. In President Ronald Reagan's inaugural address, speaking of neighbours and allies, he said "we will not use our friendship to impose on their sovereignty, for our own sovereignty is not for sale." This is the point. It is a matter of sovereignty — not in the legal sense, but in the discretion over the securing of national interests which, inevitably, are not identical for both countries.

Suggestions that have been made by various political representatives in the United States for the development of continental policies range from functional cooperation in technical areas to continent-wide policies for resources, food and technology. There may well be functional benefits from a continental approach in a few select fields such as environmental control — although these should be examined closely. On the other hand, continent-wide policies in such areas as energy and resource management could lock Canada more closely into another country's interest and future while reducing the freedom to manage our own interest and future. Yet, because of the different nature of the two economies, the economic interests are not identical and separate national attention and management are called for.

The Third Option remains valid as an assumption of Canadian foreign policy even if it no longer needs to be cited as a constant point of reference. The Canadian emphasis on bilateral relations with economic partners, based on Canadian economic development objectives, which Secretary of State for External Affairs Mark MacGuigan recently spoke of is, in effect, an updating of the Third Option policy. It recognizes the prime importance of the relationship with the U.S., but stresses the vital need for coordinated Canadian policies to develop key relationships with other countries as well.

In reviewing, or re-visiting the Third Option, a decade after its introduction, one is struck by its misinterpretation over time. Basically, it was rooted in the need for a domestic economic strategy — "a long-term comprehensive strategy to develop and strengthen the Canadian economy and other aspects of our national life and in the process to