

meetings between the Prime Ministers of Canada and Japan and of the Prime Minister's visits to Europe.

"But having said all this," declared Mr. MacEachen, "I must insist on one central point: our efforts to diversify our relations mean that we seek not to supplant but to supplement relations with the U.S. Indeed, it is obvious that relations with the U.S. will remain the most important that this country possesses. Our purpose is to strengthen Canada in order to create a more balanced, a more reciprocal and thus a healthier relationship between two independent partners."

More mature relations emerging

Mr. MacEachen said that since the early Seventies a new period had begun in Canada/U.S. relations and that the change had involved the ending of the "special relationship" between the two countries.

He continued as follows:

"...What is being developed is a more mature relationship. It is one which permits us to maintain close ties, to co-operate fully on bilateral and multi-lateral matters, is of mutual benefit and yet leaves each country free to pursue its national interest consistent with its international obligations.

"It is plain that Canada and the United States have entered upon a new period in their bilateral relations. It is one in which the emphasis is on a clear-eyed appreciation of the national interest and in which there is no room for false assumptions or illusions. Each Government will have to make hard decisions in line with its own perception of the national interest, decisions with which the other may find it difficult to concur.

The oil situation

"On the oil-export issue we feel we have demonstrated our willingness to assist the U.S. as far as possible consistent with our own national needs. There were strong objections from some quarters in the U.S. that American interests were being abused. But we could not be expected to sacrifice our own needs to meet the oil-consumption requirements of the U.S. I might add here that at least with respect to the oil-pricing issue, recent U.S. action would appear to have gone a long way towards removing this irritant. Similarly, Canada's desire to develop min-

eral resources at her own pace and to encourage further processing before export is not necessarily in accord with American interests which appear to tend towards the rapid exploitation of known resources, accelerated exploration of new resources and increased imports of resources in their raw form.

"Yet, the two countries are becoming increasingly interdependent and the issues between them accordingly greater in number and complexity. In these circumstances, relations are likely to become more, not less, difficult. As interaction increases, conflicts of interest and differences of view are bound to develop. Both Governments are becoming increasingly involved in a wide range of domestic social and economic activities many of which turn out to have foreign policy implications. Two years ago federal financial assistance was extended under the DREE program to the Michelin Tire Corporation to locate in Nova Scotia. This was regarded by many in the U.S. as an attempt to subsidize an export industry, and as a consequence the U.S. applied countervailing duties on this Canadian export. This is a striking example of how a domestic program, in this instance one designed to remedy regional economic disparities, can become an issue in our relations with the U.S.

"Although this new period in our relations with the U.S. will be complex and at times difficult, our approach to it should be positive. The fact is that fundamentally the relationship is a healthy one. We must remember that Canada and the U.S. continue to share similar views, and co-operate closely, on a whole range of important international issues. Our perceptions of what the new political and economic international environment requires have many points in common. Also we are each other's best friend by choice and circumstance and we will remain so.

Importance of consultation

"To respond to this new situation there is a new pattern developing in the management of our relationship which, in my view, will help to promote harmony and is in keeping with the new character of that relationship. It consists of analysis of the particular national interest to be served, followed by consultation, discussion or negotia-

tion with a view to reaching a mutually acceptable settlement of the particular problem. One of the most important ingredients in this process is that of regular consultation and discussion.

"In this connection I want to emphasize the importance of advance consultation. It seems to me that the sensible way of doing business is to notify the U.S. whenever possible of our intentions in advance of our taking major decisions on matters affecting U.S. interests and where appropriate to provide an opportunity for advance consultations. Naturally, we would expect the U.S. authorities to treat us in the same way whenever they are about to take action which would affect our interests. This practice corresponds to the more mature and complex stage that our relationship has now reached. It would help to diminish fears and misunderstandings on both sides. In short, it is an important way of keeping our relations with the U.S. in a healthy condition.

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Trading with the Enemy Act

"Another kind of issue on which some progress has to be made with the U.S. is the problem posed by the United States Trading with the Enemy Act and in particular the United States Cuban Assets Control Regulations administered under the Act. This Act, which serves to deter Canadian companies which are subsidiaries of U.S. firms from conducting normal export business with Cuba, clearly has extra-territorial effect. You will be aware of the recent cases illustrating this problem. Although Canada is not the only country affected, the extent of U.S. business interests in Canada makes it a particular factor in Canada/U.S. relations. Clearly Canada cannot accept extra-territorial application of the laws of any other nation.

"This problem has been discussed periodically by successive Canadian and U.S. Governments without a resolution satisfactory to Canada. If consultation is to be used in this instance, as I think it should be, it would be our objective that the outcome would be that the companies doing business in Canada would not be deterred by U.S. law or by corporate policy made in the U.S. from doing normal export business. Indeed I have initiated discussions with the United States authorities with a view to find-