

We know that any economic recovery that takes place in the U.S. will pay immediate dividends to our economy and that given the amount of trade we carry on with your country that it is in terms of trade that such dividends will be most visible. However, it should also be borne in mind that any ensuing recovery that takes place in Canada can increase both export and investment opportunities for the United States and assist in further stimulating your recovery.

In the meantime, however, there is room for concern over some of the protectionist pressures that are becoming apparent in both countries. At a time like this, with domestic industries facing prolonged recession, unemployment, high interest rates and heavy competition from imports, such pressures are perhaps understandable. It is all the more important, therefore, that governments develop alternative ways of dealing with the problems that give rise to them.

We in Canada are certainly determined not to ignore the lessons of the 1930's. We do not intend to place our economy in a strait-jacket which will prevent adaptation and real growth in the 1980's. "Beggar thy neighbour" policies, artificial props for inefficient sectors or band-aid solutions do not provide either effective or convincing alternatives. Because of our small domestic market and consequent dependence on external trade, Canada has a great deal to lose and little to gain by trade wars or anything else that will affect the free international flow of goods.

It is apparent, however, that there will be occasions due to specific domestic considerations when some trading partners will need to initiate some trade restrictions in certain sectors. What is important is that during these difficult periods, trading partners be sensitive to each others problems in order to ensure that any restrictions of a short term nature will not result in the unravelling of the liberalized international trading framework which has evolved since World War II.

For example, if much of the so-called 'reciprocity' legislation now on the Congressional calendar were to be passed, even though such legislation may be emotionally appealing, it could, if carried to extremes, reduce trade to even lower levels and make a mockery of the international system which has served both our countries so well during the postwar years.

The General Agreement on Tariffs and Trade with which I know you are as familiar as I, attempts to provide a matrix for global discipline on the increasingly complex maze of international trade. At a time when it is tempting to focus on the weaknesses that may exist in the G.A.T.T., we