

"REFLECTIONS FROM WASHINGTON"

NOTES FOR AN ADDRESS
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TO THE
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SPEAKING TO YOU ABOUT THE UNITED STATES IS A TOUGH CHALLENGE. WHEN I SPEAK TO AMERICAN AUDIENCES ABOUT CANADA, I CAN USUALLY COUNT ON KNOWING MORE ABOUT THE SUBJECT THAN THEY DO. MANY AMERICANS, FOR EXAMPLE, ARE UNAWARE THAT CANADA, WITH MODEST SUPPORT FROM THE BRITISH, WON THE WAR OF 1812--POSSIBLY BECAUSE THEIR SCHOOL TEXTS DON'T ADMIT IT. THEY ALSO DON'T KNOW THAT CANADIANS INVENTED THE ELECTRON MICROSCOPE, THE SNOWMOBILE, STANDARD TIME, AND THE McINTOSH APPLE. SOME HAVEN'T YET HEARD WHICH CITY HAS THE TALLEST FREE-STANDING STRUCTURE IN THE WORLD, OR THAT THIS SAME CITY HOLDS ITS MAYORALTY ELECTIONS BY THAT TRIED AND TRUE DEMOCRATIC PROCEDURE: THE TOSSING OF A COIN.

MY JOB TODAY IS MORE DIFFICULT.

IN THE FIRST PLACE, CANADIANS ARE NOTORIOUSLY WELL INFORMED ABOUT THE UNITED STATES. CRONKITE AND RESTON, TIME AND NEWSWEEK, ARE IN YOUR LIVING ROOMS.

SECONDLY, THE MID-TERM CONGRESSIONAL ELECTIONS TAKE PLACE TOMORROW; AND THE END OF AN ELECTION CAMPAIGN IS A DIFFICULT TIME TO GIVE A CLEAR PICTURE OF THE AMERICAN LANDSCAPE, OR TO PEER OVER THE HORIZON.

YET HALFWAY THROUGH PRESIDENT CARTER'S FIRST TERM MAY BE AN APPROPRIATE MOMENT TO REVIEW RECENT ECONOMIC AND POLITICAL DEVELOPMENTS IN THE UNITED STATES AND THEIR IMPLICATIONS FOR CANADA.

I NEED NOT BELABOUR THE POINT THAT ACTIONS SOUTH OF THE BORDER ARE VITALLY IMPORTANT TO CANADA. BUT I HASTEN TO ADD THAT WHAT WE DO HAS SIGNIFICANT EFFECTS ON THE UNITED STATES AS WELL--A FACT NO LONGER IGNORED BY MOST AMERICANS. WE CANADIANS SOMETIMES UNDERESTIMATE OUR OWN IMPACT; YET WE ARE THE WORLD'S SEVENTH LARGEST ECONOMIC POWER AND--ESPECIALLY RELEVANT TO MY TOPIC--THE UNITED STATES' LARGEST SUPPLIER AND MARKET.

FICKLENESS OF OPINION POLLS AND PUBLIC MOODS

THERE IS AN UNCERTAIN MOOD IN THE UNITED STATES, AS AT HOME. PROBLEMS OF INFLATION, THE TRADE DEFICIT, AND THE FLUCTUATION IN THE VALUE OF THE DOLLAR ON WORLD MONEY MARKETS, DOMINATE THE BUSINESS PAGES. PRESIDENT CARTER HAS SEEN HIS APPROVAL RATING IN THE POLLS DROP TO 39 PER CENT, THEN BOUNCE BACK IN THE WAKE OF THE CAMP DAVID SUMMIT AND A STRING OF LEGISLATIVE SUCCESSES AT THE END OF THE 95TH CONGRESS.

I DON'T MYSELF SET MUCH STORE BY THE POLLS, WHICH OFTEN MIRROR PUBLIC MOODS AS TRANSITORY AS THE CLOUDS. PERHAPS THIS IS BECAUSE THE FIRST OF MY THREE ASSIGNMENTS IN WASHINGTON BEGAN DURING THE TRUMAN PRESIDENCY. HARRY TRUMAN, YOU WILL RECALL, LOST THE '48 ELECTION IN THE POLLS, BUT WON IT IN THE VOTING BOOTH. HE WENT ON TO BECOME A BELOVED AND, INCONTESTABLY, A GREAT PRESIDENT. WHEN IT COMES TO POLLS--LIKE HARRY TRUMAN--I'M FROM MISSOURI!

CARTER DOING BETTER THAN HE IS GIVEN CREDIT FOR

I AM NOT HERE EITHER TO DEFEND OR ATTACK THE CARTER ADMINISTRATION'S RECORD, AND, SPEAKING FRANKLY, I'D BE OUT OF PLACE IF I DID EITHER. AMERICANS ALONE MUST JUDGE HIS PERFORMANCE, BUT THERE IS SOME TRUTH TO PRESIDENT CARTER'S RECENT OBSERVATION THAT WHEN THINGS GO WRONG, THE PRESIDENT GETS TOO MUCH BLAME. AND WHEN THEY GO RIGHT, TOO MUCH CREDIT.

JIMMY CARTER IS PERCEIVED AS INTELLIGENT, SINCERE AND HARDWORKING. HE HAS MAINTAINED AN OPEN ADMINISTRATION. HE HAS TACKLED SOME OF THE MOST DIFFICULT DOMESTIC PROBLEMS CONFRONTING OUR SOCIETIES--INCLUDING ENERGY POLICY, TAXES, SOCIAL SECURITY, REORGANIZATION OF THE CIVIL SERVICE, AND INFLATION.

INTERNATIONALLY, UNDER HIS ADMINISTRATION THE UNITED STATES HAS TAKEN POSITIVE STRIDES TOWARD FASHIONING A MORE JUST AND PEACEFUL WORLD. THE PRESIDENT HAS PERSONALLY RESTORED A COMMITMENT TO HUMAN RIGHTS. HIS ADMINISTRATION HAS ADOPTED POLICIES DESIGNED TO REDUCE THE THREAT OF WAR IN THE WORLD: BY PURSUING A NEW SALT AGREEMENT WITH THE SOVIETS, BY SEEKING TO APPLY THE BRAKES TO THE GROWING INTERNATIONAL ARMS TRADE, AND BY INSTITUTING MORE STRINGENT CONTROLS ON THE EXPORT OF NUCLEAR TECHNOLOGY. AT THE SAME TIME, IT HAS CONTINUED TO GIVE CLOSE ATTENTION TO ITS OWN SECURITY AND THAT OF ITS ALLIES, INCLUDING CANADA.

UNDER CARTER, THE UNITED STATES HAS USED ITS DIPLOMATIC POWER TO ENCOURAGE DISPUTING PARTIES IN THE WORLD'S TROUBLE SPOTS

TO SETTLE THEIR DIFFERENCES AT THE NEGOTIATING TABLE. IT SO ENDED ITS OWN DIFFERENCES WITH PANAMA OVER THE FUTURE OF THE CANAL; IT HAS SO SOUGHT SETTLEMENTS IN SOUTHERN AFRICA IN CONJUNCTION WITH CANADA AND OTHERS; AND MOST SPECTACULARLY, THANKS TO THE PERSONAL TOUCH OF THE PRESIDENT,^{IT} HAS PLAYED THE CATALYTIC ROLE THAT LED TO THE CAMP DAVID ACCORDS OF TWO MONTHS AGO.

ON THE INTERNATIONAL ECONOMIC SIDE, CARTER HAS SHOWN PERSONAL DETERMINATION TO MAINTAIN AN OPEN INTERNATIONAL TRADING SYSTEM DESPITE TODAY'S PROTECTIONIST PRESSURES. HE HAS JOINED THE LEADERS OF THE OTHER PRINCIPAL INDUSTRIAL COUNTRIES AT THE LONDON AND BONN SUMMITS IN THE SEARCH FOR COLLECTIVE SOLUTIONS TO THE ECONOMIC PROBLEMS OF THE DEVELOPED AND DEVELOPING WORLDS.

WHEN THIS RECORD IS TAKEN AS A WHOLE, I BELIEVE MOST CANADIANS HAVE REASON TO APPLAUD THE CARTER INITIATIVES AND THE CONSIDERABLE MEASURE OF SUCCESS THAT HE HAS REGISTERED OVER THE PAST TWO YEARS.

WE LIVE IN A DIFFERENT WORLD

THINGS ARE NOT, THEREFORE, AS BAD AS THEY SOMETIMES ARE PORTRAYED IN THE UNITED STATES OR INDEED IN OTHER WESTERN INDUSTRIAL SOCIETIES EITHER. RATHER THE UNEASE AND UNCERTAINTY OF THE TIMES PERHAPS REFLECTS THE GREAT CHANGES THAT HAVE TAKEN PLACE RECENTLY IN THE DOMESTIC AND FOREIGN ENVIRONMENT.

IN THE UNITED STATES, VIET NAM AND WATERGATE HAVE BRED A DISTRUST OF GOVERNMENT WHICH HAS, TEMPORARILY AT LEAST, TARNISHED

POLITICAL INSTITUTIONS AND MADE THE POLITICIANS' TASK MORE DIFFICULT. IN TERMS OF ITS ECONOMY, THE UNITED STATES HAS MOVED FROM A LOW INFLATION SITUATION WITH AN AVERAGE ANNUAL INFLATION RATE OF 2.4% DURING THE 50s AND 60s--TO AN ECONOMY EXPERIENCING CONSUMER PRICE INCREASES AT AN ANNUAL RATE OF OVER 9% IN 1978.

ABROAD, THE SOVIET UNION HAS MOVED TOWARD STRATEGIC PARITY; OTHER WESTERN INDUSTRIALIZED COUNTRIES HAVE ERODED AND IN SOME CASES OVERTAKEN THE AMERICAN COMPETITIVE LEAD IN TECHNOLOGY AND PRODUCTIVITY; CHINA AND THE THIRD WORLD COUNTRIES, IN PARTICULAR THE OIL-PRODUCING NATIONS, MUST NOW BE FACTORED INTO THE WORLD POWER EQUATION. THE WORLD HAS BECOME, IN ESSENCE, MUCH MORE MULTIPOLAR, AND ACCORDINGLY MUCH LESS MANAGEABLE.

NEVERTHELESS, IT IS STILL TRUE THAT THE UNITED STATES IS THE MOST POWERFUL NATION ON EARTH. BUT THE EXERCISE OF THAT POWER BOTH INTERNATIONALLY AND DOMESTICALLY HAS BECOME MUCH MORE COMPLEX. PRESIDENT CARTER IS HAVING TO DEAL WITH A SET OF PROBLEMS AND CIRCUMSTANCES THAT DID NOT CONFRONT HIS PREDECESSORS. NO LONGER ARE THERE QUICK FIXES FOR THE UNITED STATES--OR FOR ANY OF OUR MODERN SOCIETIES.

THE ECONOMY

THE SENSE OF UNCERTAINTY AT THE LACK OF NEAT SOLUTIONS OR QUICK FIXES MAY EXPLAIN SOME OF THE CONCERN ABOUT THE ECONOMY. FOR, DESPITE MARKET INDEXES, THE AMERICAN ECONOMY HAS NOT PERFORMED ALL THAT BADLY. THE UNITED STATES OUTPUT OF GOODS AND SERVICES STILL ACCOUNTS FOR ROUGHLY 40 PER CENT OF THE TOTAL OF ALL WESTERN COUNTRIES. THE ECONOMIC RECOVERY FROM THE 1974-75 RECESSION IS NOW WELL INTO ITS FOURTH YEAR. DURING THIS PERIOD, THE UNITED STATES HAS CONSISTENTLY

REGISTERED A GROWTH PERFORMANCE HIGHER THAN THAT CHALKED UP BY OTHER MAJOR WESTERN ECONOMIES--THOUGH THERE ARE NOW SOME SIGNS IT IS TAPERING OFF. UNEMPLOYMENT HAS DROPPED FROM A LEVEL OF NEARLY 8 PER CENT IN 1976 TO ^{5.8}~~6~~ PER CENT IN SEPTEMBER. ^{and much} THE PROJECTED SIZE OF THE U. S. BUDGETARY DEFICIT HAS BEEN SLASHED FROM \$66 BILLION TO \$40 BILLION FOR FISCAL YEAR 1979, AND THE PRESIDENT HAS ANNOUNCED HIS INTENTION TO REDUCE IT TO UNDER \$30 BILLION IN FISCAL YEAR 1980.

THIS SOLID GROWTH IN THE UNITED STATES HAS ACTED AS A MOTOR TO REVIVE AND SUSTAIN OTHER WESTERN ECONOMIES. AND OUR OWN EVIDENCE OF THE STRENGTH OF THE UNITED STATES ECONOMY HAS BEEN A GROWTH IN CANADIAN EXPORTS TO THE AMERICAN MARKET OF ABOUT \$10 BILLION IN THE LAST TWO YEARS.

THE PRESIDENT HAS ALSO HAD TO GRAPPLE WITH A PERSISTENTLY LARGE TRADE IMBALANCE AND A DOLLAR THAT HAS DIMINISHED IN VALUE AGAINST EUROPEAN CURRENCIES AND THE YEN. HIS ANNOUNCEMENT LAST WEEK OF A MASSIVE PROGRAMME OF SUPPORT FOR THE DOLLAR HAS REVERSED THE DECLINE. AS FOR THE TRADE BALANCE, FEW COUNTRIES--AND CERTAINLY NOT CANADA--WOULD WISH TO SEE THE UNITED STATES BALANCE ITS ACCOUNTS THROUGH PLACING PROTECTIONIST RESTRAINTS ON IMPORTS. ON THE CONTRARY, AT A TIME OF ECONOMIC UNCERTAINTY, WHEN PROTECTIONISM THREATENS, THE COMMITMENT OF THE UNITED STATES LEADERSHIP TO LIBERALIZATION IS WORTHY OF RESPECT.

LEST I APPEAR POLLYANNA-ISH, I SHOULD STATE QUICKLY THAT THE AMERICAN ECONOMY IS CERTAINLY FACING SEVERE PROBLEMS. THE MOST DIFFICULT OF THEM IS INFLATION, WHICH PRESIDENT CARTER HAS LABELLED AS HIS TOP NATIONAL PRIORITY. PRESIDENT CARTER IS EMPTYING VIRTUALLY

THE ENTIRE MEDICINE CHEST OF CONVENTIONAL REMEDIES TO DEAL WITH IT. A WEEK AGO TODAY, HE ANNOUNCED THE BASIC ELEMENTS OF HIS NEW ANTI-INFLATION PROGRAMME. HE HAS INSTITUTED A PROGRAMME OF GUIDELINES FOR WAGE INCREASES TO AVERAGE 7 PER CENT FOR THE LIFE OF CONTRACTS AND FOR PRICE INCREASES TO BE HELD TO 5.75 PER CENT. THE PROGRAMME IS VOLUNTARY BUT THE PRESIDENT HAS STATED HIS INTENT TO USE THOSE LEVERS AT HIS DISPOSAL--FOR EXAMPLE, GOVERNMENT PROCUREMENT, THE CUSTOMS TARIFF, AND THE POWERS OF VARIOUS REGULATING AGENCIES--TO OBTAIN COMPLIANCE WITH THE GUIDELINES. AND HE WILL SUBMIT TO CONGRESS A PLAN TO PROVIDE WAGE INSURANCE TO ENSURE THAT THOSE MEMBERS OF THE LABOUR FORCE WHO COMPLY WITH THE WAGE GUIDELINES DO NOT SUFFER DISPROPORTIONATELY IN THE EVENT INFLATION EXCEEDS THE UPPER LIMIT OF 6-TO-6.5 PER CENT SOUGHT BY THE PRESIDENT.

IN ADDITION TO THE GUIDELINES, HE HAS COMMITTED HIMSELF TO FURTHER BUDGET REDUCTIONS, TRIMMING THE SIZE OF THE CIVIL SERVICE, AND REDUCING THE INFLATIONARY EFFECT OF OVER-REGULATION BY GOVERNMENT AGENCIES. THE SIZE OF THE 1979 TAX CUT WAS REDUCED FROM THE \$30 BILLION APPROVED BY THE SENATE TO \$19 BILLION, AND HE HAS RULED OUT FURTHER TAX CUTS--THIS DESPITE PROPOSITION 13 AND TOMORROW'S ELECTION. ALSO, THE FEDERAL RESERVE BOARD HAS INCREASED THE DISCOUNT RATE TO A RECORD 9.5 PER CENT TO SLOW THE GROWTH OF MONEY AND CREDIT.

THE PRESIDENT'S DILEMMA OF COURSE IS THAT TOO MUCH TIGHTENING OF FISCAL AND MONETARY POLICY RISKS THROWING THE AMERICAN ECONOMY INTO A TAILSPIN. IT HAS BEEN ESTIMATED THAT CUTTING BACK THE GROWTH IN NOMINAL GNP FROM 11 PER CENT TO 6 PER CENT WOULD SQUEEZE OUT INFLATION BY LESS THAN A PERCENTAGE POINT WHILE CUTTING REAL GROWTH TO PRACTICALLY NOTHING. THIS WOULD NOT BE A CREDIBLE STRATEGY.

AS CANADIANS WELL KNOW, THE FIGHT AGAINST INFLATION IS NOT WON WITH A SPEECH. WHETHER PRESIDENT CARTER WILL SUCCEED IN THIS LATEST EFFORT IS A QUESTION I CANNOT BE EXPECTED TO ANSWER. NOT EVERYONE IS ENAMORED WITH HIS VOLUNTARY GUIDELINES. SOME NOTABLES HAVE CHARGED THAT THEY WILL NOT APPLY IN AN EVEN-HANDED WAY--THAT THEY WILL IMPACT UNDULY ON WAGES. I WILL SAY, HOWEVER, IF I CAN JUDGE THE MOOD OF THAT NATION, THAT AMERICA IS READY COLLECTIVELY TO TACKLE INFLATION AND TO GIVE THE PRESIDENT THE SUPPORT HIS PROGRAMME NEEDS IF IT IS TO SUCCEED.

WE TOO HAVE A LOT RIDING ON THE SUCCESS OF THE PRESIDENT'S ANTI-INFLATION PROGRAMME. WE HOPE IT CAN BE ACCOMPLISHED WITH A MINIMUM OF DISLOCATION TO THE PACE OF ECONOMIC ACTIVITY. A SLOW-DOWN IN THE U. S. ECONOMY IN 1979 BELOW ITS PROJECTED RATE OF GROWTH WILL IMPAIR OUR ABILITY IN CANADA TO REACH OUR OWN GROWTH TARGETS.

THE ROLE OF CONGRESS

ONE BENCHMARK OF ANY PRESIDENT'S SUCCESS IN DEALING WITH NATIONAL ISSUES IS HOW WELL HE WORKS WITH CONGRESS. DIFFICULTIES BETWEEN THE EXECUTIVE AND LEGISLATIVE BRANCHES ARE INHERENT IN THE SEPARATION OF POWERS. WHAT HAS HAPPENED OF LATE, HOWEVER, IS MORE THAN THE USUAL CLASH OF PERSONALITIES ON SPECIFIC POLICIES. A FACT OF LIFE IN THE POST-WATERGATE, POST-VIETNAM WASHINGTON SCENE IS THE INCREASINGLY ASSERTIVE ROLE OF CONGRESS.

THE CHANGE IN THE SENIORITY SYSTEM HAS RESULTED IN MORE AGGRESSIVE CHAIRMEN AND AN INCREASE IN THE NUMBER AND RANGE OF CHALLENGES TO THE WHITE HOUSE. A DECLINE IN CAUCUS SOLIDARITY

HAS MADE IT DIFFICULT FOR THE LEADERSHIP TO DELIVER BLOCS OF VOTES. THE WHITE HOUSE'S CONGRESSIONAL LIAISON FUNCTION HAS BECOME A MUCH MORE DEMANDING TASK.

EARLY ON IN HIS ADMINISTRATION, THE PRESIDENT HAD TO CONFRONT DIFFICULT ENERGY POLICY CHOICES WHICH BEDEVILED HIS RELATIONS WITH CONGRESS FOR THE FIRST 18 MONTHS OF HIS PRESIDENCY. IT IS IMPERATIVE THAT THE UNITED STATES REDUCE ITS DEPENDENCE ON IMPORTED OIL. BUT REASONABLE MEN MAY DIFFER ON THE DEGREE OF REGULATION, THE VOLUME OF INCENTIVES, AND THE EXTENT OF SACRIFICE REQUIRED TO ACHIEVE THIS OBJECTIVE. CONGRESSIONAL PASSAGE LAST MONTH OF THE NATIONAL ENERGY ACT RESULTED IN THE ESTABLISHMENT OF THE BASIS FOR A REASONABLY COMPREHENSIVE UNITED STATES ENERGY STRATEGY. IT WAS NOT THE BILL WHICH THE PRESIDENT WANTED, BUT TO THE EXTENT THAT ENERGY POLICY UNCERTAINTY HAS BEEN REDUCED, IT WILL FACILITATE LARGE OIL, GAS AND ELECTRICITY PROJECTS, SOME OF WHICH, LIKE THE NORTHERN GAS PIPELINE, ARE OF DIRECT INTEREST TO CANADA. THE ENERGY ACT IS A PRODUCT OF THE ADMINISTRATION AND CONGRESS--OR PERHAPS MORE APTLY PUT, IT IS THE BEST BILL CONGRESS WOULD PERMIT THE PRESIDENT TO OBTAIN. IT ILLUSTRATES ABOVE ALL HOW FAR REMOVED WE ARE FROM THE IMPERIAL PRESIDENCY OF RICHARD NIXON.

I DOUBT THAT WE HAVE WITNESSED A PERMANENT SHIFT OF POWER FROM THE EXECUTIVE TO THE LEGISLATIVE BRANCH, BUT RATHER AN EPISODIC SWING OF THE PENDULUM IN THE DIRECTION OF CONGRESS. PROBABLY THE PENDULUM WILL SWING BACK, AND IT MAY HAVE BEGUN TO ALREADY. IN THE CIRCUMSTANCES, I WONDER WHETHER ANY PRESIDENT WOULD HAVE HAD SMOOTH RELATIONS WITH A CONGRESS AS STRONG-WILLED AND INDEPENDENTLY-MINDED AS THE 95TH.

AMERICAN PERCEPTIONS OF CANADA

INCREASINGLY THERE IS AN AMERICAN PERCEPTION THAT A CANADIAN DIMENSION EXISTS TO MANY OF THE ISSUES CONFRONTING THEM. DESPITE THE GENERALLY ACCEPTED MYTH THAT CANADA IS OFTEN IGNORED BY THE UNITED STATES, AMERICANS DO PAY ATTENTION TO US. IN FACT, AMERICANS IN GENERAL HAVE PAID A GREAT DEAL OF ATTENTION TO CANADA DURING THE LAST TWO YEARS--MORE THAN IN ANY SIMILAR PERIOD IN MY EXPERIENCE.

I HAVE NEVER SUBSCRIBED TO THE VIEW THAT AMERICANS NEGLECT THEIR NORTHERN NEIGHBOUR; THE SPECIALIZED KNOWLEDGE, EXPERTISE AND INTEREST IS THERE WHERE IT COUNTS. THE METROPOLITAN DAILIES IN CITIES SUCH AS NEW YORK, WASHINGTON, BUFFALO, DETROIT, CHICAGO AND LOS ANGELES, GIVE A CONSIDERABLE AMOUNT OF COVERAGE TO CANADA. IT MAY SURPRISE YOU TO KNOW THAT OVER 2,000 FACULTY MEMBERS AT 300 UNIVERSITIES AND COLLEGES THROUGHOUT THE UNITED STATES ARE ENGAGED IN PROGRAMMES OF CANADIAN STUDIES. THE EMBASSY AND OUR CONSULAR MISSIONS THROUGHOUT THE UNITED STATES ARE WORKING HARD TO EXPAND THE NUMBER OF CANADIAN STUDIES PROGRAMMES ON AMERICAN CAMPUSES. CANADA IS NOT THE "UNKNOWN COUNTRY" IN THE UNITED STATES.

NATIONAL UNITY

OF COURSE, THE AMOUNT OF MEDIA AND PUBLIC ATTENTION SHOWN TO CANADA INCREASED AS A RESULT OF THE 1976 QUEBEC ELECTION. FOR A TIME CANADA TOOK ITS PLACE, AS MORDECAI RICHLER WROTE IN THE ATLANTIC MONTHLY, AMONG THE AUTHENTIC TROUBLE SPOTS OF THE WORLD. MOST AMERICANS LOOKING AT CANADA THROUGH THE PRISM OF THEIR OWN EXPERIENCE WERE PUZZLED BY A THREAT TO THE NATIONAL UNITY OF THEIR NORTHERN NEIGHBOUR. THEY WERE ALSO CONCERNED ABOUT THE IMPLICATIONS

FOR THE UNITED STATES OF INSTABILITY IN CANADA, BECAUSE IT IS AXIOMATIC--THOUGH SELDOM EXPRESSED--THAT NO COUNTRY IS MORE IMPORTANT, EITHER ECONOMICALLY OR STRATEGICALLY, TO THE UNITED STATES THAN CANADA.

I THINK THIS CONCERN HAS EASED CONSIDERABLY, PARTLY BECAUSE OF THE QUALITY REPORTING THAT WAS DONE. COVERAGE OF OUR PROBLEMS BY THE U. S. MEDIA FOR THE MOST PART WAS, AND STILL IS, RESPONSIBLE AND COMPETENT. IT HAS NOT AIMED FOR THE SENSATIONAL OR OVERDRAMATIC. THE ULTIMATE THRUST OF MOST ARTICLES AND EDITORIALS CONVEYS AN APPRECIATION OF CANADIANS' ABILITIES TO RESOLVE THEIR OWN PROBLEMS, AS THEY HAVE THROUGHOUT THEIR HISTORY.

AMERICANS OPTIMISTIC

INDEED, IN SPEAKING WITH AMERICANS, I HAVE FORMED THE IMPRESSION THAT MANY ARE PERHAPS MORE OPTIMISTIC ABOUT OUR PROSPECTS THAN SOME OF MY CANADIAN FRIENDS. THEY EXPECT WE WILL REMAIN A SEPARATE, UNITED, STRONGLY INDEPENDENT BUT COMPATIBLE NEIGHBOUR. OF COURSE THERE IS CONCERN, ESPECIALLY IN THE SHORT RUN, ABOUT THE CONJUNCTURE OF OUR ECONOMIC AND POLITICAL PROBLEMS. BUT OVERALL, AMERICANS EXPRESS A POSITIVE ATTITUDE WHEN THEY LOOK AT CANADA.

BILATERAL RELATIONS

THE CANADIAN SECRETARY OF STATE FOR EXTERNAL AFFAIRS, DON JAMIESON, TOLD A WINDSOR AUDIENCE LAST NOVEMBER THAT CANADIAN-AMERICAN RELATIONS HAVE NEVER BEEN BETTER. I THINK THIS IS VERY TRUE. FOLLOWING A PERIOD OF SOME TENSION IN THE EARLY '70s, A

NEW AND BETTER MOOD HAS PREVAILED. FOR A WHILE WE SPOKE OF IRRITANTS IN THE RELATIONSHIP. WE RECALL THE U. S. IMPORT SURCHARGE IN 1971 WHICH HIT US HARD, AND THE AMERICANS REMEMBER OUR CUTBACKS IN OIL DELIVERIES. WE WERE BOTH, I THINK, ADJUSTING TO NEW ECONOMIC REALITIES. BUT BY THE TIME I ARRIVED IN WASHINGTON IN 1977 TO BEGIN MY CURRENT ASSIGNMENT, WE WERE NO LONGER SPEAKING OF IRRITANTS, BUT RATHER OF OPPORTUNITIES.

BOTH GOVERNMENTS HAVE ADOPTED A POLICY OF MANAGING THE RELATIONSHIP THROUGH ACTIVE CONSULTATION AT ALL LEVELS TO ISOLATE AND CONTAIN DIFFERENCES. INDEED, THE EASY RAPPORT BETWEEN THE PRIME MINISTER AND THE PRESIDENT, THE FREQUENT CONTACTS BETWEEN MR. JAMIESON AND SECRETARY VANCE, AND THE SPECIAL INTEREST WHICH VICE-PRESIDENT MONDALE HAS IN CANADA, HAVE ALL HELPED SIGNIFICANTLY TO CREATE A COOPERATIVE ATMOSPHERE. IN ADDITION, BOTH IN THE STATE DEPARTMENT AND IN THE DEPARTMENT OF EXTERNAL AFFAIRS, STRONGLY STAFFED OFFICES ARE CONSTANTLY WORKING TO MONITOR THE ISSUES AND SOLVE POTENTIAL PROBLEMS AT THEIR INCEPTION.

I NEED HARDLY ADD THAT THIS POSITIVE CLIMATE OF RELATIONS AND CONSIDERABLE RECORD OF ACHIEVEMENT HAS NOT MEANT AN END TO BILATERAL PROBLEMS. ON THE CONTRARY, THE INCREASING COMPLEXITY OF TRADE, ENVIRONMENTAL, AND BORDER RELATIONS HAS MEANT A MULTIPLICATION OF ISSUES IN PLAY AT ANY ONE TIME. AS EXAMPLES I CAN CITE THE NORTHERN GAS PIPELINE CONSTRUCTION, THE FISHERIES AND BOUNDARIES NEGOTIATIONS ON THREE COASTS, THE AMERICAN CONVENTION EXPENSES PROVISIONS WHICH DISCRIMINATE AGAINST U. S. CONVENTION ATTENDANCE IN CANADA, AND MYRIAD TRANSBORDER ENVIRONMENTAL CONCERNS.

THAT THERE SHOULD BE OUTSTANDING ISSUES BETWEEN TWO TRANSCONTINENTAL NEIGHBOURS WHO ARE ALSO RESPECTIVELY THE WORLD'S FIRST AND SEVENTH LARGEST INDUSTRIAL POWERS--AND THE WORLD'S BIGGEST TRADING PARTNERS TO BOOT--IS NOT SURPRISING.

WHAT PERHAPS IS NEW IN EFFORTS TO MANAGE OUR RELATIONS WITH THE UNITED STATES IS THE MORE PROMINENT AND ASSERTIVE ROLE ASSUMED BY CONGRESS, WHICH I INTIMATED EARLIER. IN IMPLEMENTING CONSTRUCTION OF THE NORTHERN GAS PIPELINE, FOR EXAMPLE, OR IN EFFORTS TO REMOVE DISCRIMINATORY ASPECTS OF THE U. S. CONVENTION EXPENSES LEGISLATION, THE CONGRESS IS VERY MUCH AN ACTIVE PLAYER.

I SPENT A GOOD DEAL OF MY TIME ON CAPITOL HILL AND A GOOD DEAL OF EFFORT WITH INDIVIDUAL MEMBERS TO GIVE CONGRESS AN APPRECIATION OF CANADIAN VIEWS ON ISSUES AFFECTING CANADIAN INTERESTS. THE FACT REMAINS, HOWEVER, THAT WE DO NOT VOTE IN U. S. ELECTIONS, AND MEMBERS OF CONGRESS, THOUGH OFTEN SYMPATHETIC TO CANADIAN CONCERNS, ARE ALWAYS MINDFUL OF THEIR CONSTITUENTS.

CONCLUSION

SO, GOOD AS RELATIONS ARE, WE WILL NEED TO CONTINUE BEING STRONG ADVOCATES OF OUR CAUSE IN WASHINGTON. THE CANADIAN CONDITION IS NOW, AS IT HAS ALWAYS BEEN, TO LIVE SEPARATE FROM BUT IN HARMONY WITH OUR MASSIVE NEIGHBOUR TO THE SOUTH. MY ROLE AT THE EMBASSY IN PURSUIT OF THIS ACCOMMODATION IS A NEVER-ENDING TASK, AND I ENJOY IT THOROUGHLY. I TELL AMERICANS WITH GREAT PERSONAL CONVICTION THAT WE HAVE THE CAPACITY AND THE WILL TO SURMOUNT THE ECONOMIC AND POLITICAL PROBLEMS CONFRONTING US. AND FINALLY, IN THE UNITED

STATES, I DO WHAT I CAN TO ENSURE THAT COUNTRY'S AWARENESS OF CANADA AS A RELIABLE PLACE TO BUY GOODS AND SERVICES, AS A SAFE AND REWARDING PLACE TO INVEST, AND AS A GOOD PLACE TO VISIT. HAPPILY, MOST AMERICANS SHARE THIS VIEW.