

almost 5 per cent, continuing a trend which has seen the value of US imports rise by some 45 per cent since 1982. The total value of these merchandise imports exceeded \$77.2 billion, constituting almost 70 per cent of total Canadian imports. In terms of American trade flows, the value of the goods traded represents over 20 per cent of all US exports and about 18 per cent of total US imports.

Canada thus had a surplus on the merchandise trade balance of \$18.4 billion in 1986, a drop of almost \$2.3 billion from 1985. While this surplus in trade is significant, in 1986 Canada ran a deficit in the services account and a deficit in capital movements. Despite the fact that visits to EXPO 86 by American tourists helped Canada show a most unusual \$154 million surplus in the travel account, Canada ran a net deficit in non-merchandise trade (services and investment income) of \$11.32 billion with the United States in 1986. The current account balance, which includes both merchandise and services trade, was \$7.1 billion, down by \$1.5 billion from 1985. The 1986 current account surplus represents only about 3.4 per cent of total bilateral trade.

In the trade area, Canada continued to face pressures in the United States for restrictions on exports. On softwood lumber, a countervailing duty investigation resulted in Canada imposing an export duty. Efforts to develop an adequate package of domestic measures to replace the export charge were continuing. Increased tariffs were imposed on exports of shakes and shingles. There were increased pressures in the United States to restrict imports of steel and uranium. Canada has invoked GATT dispute settlement procedures with regard to the US customs user fee and a discriminatory tax on oil imports. There were anti-dumping or countervailing duty investigations initiated by the US with regard to imports from Canada of potash, brass, colour picture tubes, certain fresh cut flowers and line pipe exports. The government assisted Canadian industry in its efforts to defend against these actions.

Generally, the extent of trade pressure in the United States increased in 1986-87, a trend which was driven by a mounting US trade deficit. Congress responded by making the passage of comprehensive trade legislation a top priority. Although the 99th Congress ran out of time, the new Congress is likely to pass such legislation in 1987. The possibility of US trade law reform, as well as the increasing US pressures in specific product areas, called for an intensified effort to safeguard the access of Canadian exports to the US market. As a result, trade issues were on the agenda for most meetings between Canadian ministers and their US counterparts. There were continuous informal contacts between Canadian and US officials, supplemented by written representations to the Administration and members of Congress on an array of major issues.

Export trade development

In the year under review, the United States continued to be the prime focus of the Department's trade development activities. A record 250 US export promotion events were undertaken in 1986-87. Particularly significant were the New Exporters to Border States Program missions: Financed out of the National Trade Strategy Program, new

locally-engaged officers were assigned to six border posts, primarily to increase services to small and medium-sized Canadian companies and to provide them with counselling and guidance for their first efforts to develop export sales to the United States. For example, the 132 companies which had participated in eight New Exporters to Border States missions organized by the Buffalo post reported sales in excess of \$20 million in 1986, with \$42 million in sales forecast for 1987.

The opening of satellite offices, tied to the existing Canadian consulates general and financed out of the National Trade Strategy Program, also began to bear fruit. As one example, the trade officer newly-resident in Orlando was able to arrange for a major US high-technology corporation to visit Canada and meet with over 200 qualified Canadian suppliers. This firm has since reported not only that their 1986 sales in Canada were up from \$2.5 million in 1985 to almost \$7 million, but more importantly that 30 Canadian companies were bidding on new business worth more than \$15 million. Altogether during 1986, almost \$75 million of business has been influenced through the efforts of the four satellite offices in the United States (Houston, Orlando, Pittsburgh and Santa Clara).

The United States remained the prime target for the Program for Export Market Development (see Chapter 2). Applications from Canadian companies, either taking their first initiative in exporting or following up on new business, were approved for a total of over \$12 million in assistance. PEMD Sections "B" (Market Identification Visits to the United States) and "C" (Trade Show Participation) were the two sections of the program which continued to be the most popular.

The Department, with the co-operation of other federal agencies and the private sector, published through the National Trade Strategy Program a series of sourcing directories listing both established exporters and other companies which have been identified as having export capability and have indicated their willingness to enter the US market. Industrial sectors covered included high-tech electronics, agricultural equipment, fisheries, food and beverages, housewares, health care products, heating and refrigeration, oil and gas, ocean industries, urban transit, and defence. The Department continued also to encourage increased participation by Canadian industry in US markets through the development and publication of regional marketing studies and strategies, targeting livestock, fish and shellfish, potable waste water, computer software/peripherals, apparel, tools and dies, and architectural services.

Tourism promotion personnel are located at every Canadian post in the United States. They play a major role through their regular contacts with the American travel industry, augmented by Tourism Canada's advertising campaign in encouraging travel to Canada from the United States which, in 1986, accounted for over 14 million visitors and \$4.6 billion in receipts.

Investment

The Department has promoted Canada as a secure and open country in which to invest. In 1986-87, in co-operation with Investment Canada and the Department of