



CANADA'S REGIONAL RELATIONSHIPS

The United States

Canada-United States relations touch upon virtually all aspects of the economic, political, social and cultural life of the two countries. The significance of relations with the United States to Canada's goals of economic renewal and the creation of employment has led the Canadian government, since 1984, to devote major efforts to refurbishing relations between the two countries.

The government's strategy is based on the belief that Canadians have the maturity and self-confidence needed for a closer relationship with the United States, and that such a relationship will benefit Canadians in many ways. The goals the Canadian government set for the Canada-U.S. relationship were aimed at securing several key benefits — providing enhanced and more secure access to markets, encouraging new investment to stimulate growth and create jobs, and seeking increased co-operation in common problems such as the protection of the environment and the defence of North America.

The record of the past three-and-a-half years is one of which both countries can be proud. They have not always agreed — most evidently on the urgent need for acid rain controls — but the close historical ties that exist have allowed them to deal positively with many difficulties. The history of the negotiations that led to the signing on January 2, 1988, by Prime Minister Mulroney and President Reagan of the Canada-United States Free Trade Agreement (FTA) is a case in point. The FTA is an important step forward in assuring a foundation for continued competitive growth in the Canadian and American economies and ensuring that the world's largest bilateral trading relationship — totalling \$175.6 billion (Cdn) in 1987 — continues to develop in a manner that serves the best interests of both countries.

The primary mechanism for ensuring the successful management of this process has been the institution of annual bilateral summits. During the period under review the Prime Minister and the President met in Ottawa on April 5-6, 1987, and President Reagan addressed Parliament. The prominence of free trade, the acid rain problem and Arctic sovereignty among the items discussed reflected the continuing focus of the Canadian agenda during the period.

Quarterly meetings between the Secretary of State for External Affairs and the U.S. Secretary of State, and periodic visits of other key ministers in both directions, continued to ensure regular ministerial attention to Canada's most important bilateral relationship. The meeting in January 1988 was demonstrative of this. Three agreements were concluded: The Arctic Co-operation Agreement; The

Joint Declaration on Counter-Terrorism; and The Protocol to Amend the Canada-U.S.A. Extradition Treaty.

Recognizing the need to reduce Canadian vulnerability to the complex and diffuse decision-making process in the United States, the Canadian Embassy in Washington and the 12 consulates general and consulates have bolstered their Congressional liaison and communications activities by expanding networks of influential contacts at every level and in every region of the United States and by developing new, computer-aided tools to assist issue management. Human resources have been strengthened and focused on Canadian objectives. Consulting firms continue to be used as sources of expert advice on key bilateral issues, particularly in the areas of trade and of the environment. All of these efforts seek to ensure that the Canadian position on issues is presented in an effective and timely manner.

Free trade agreement and bilateral trade relations

The successful conclusion of the Canada-U.S. Free Trade Agreement was the most important bilateral achievement of 1987. After 18 months of intensive negotiations, Canada and the United States arrived at an agreement-in-principle on October 3, 1987. Over the course of the next two months, this framework was translated into a legal text which was tabled in the House of Commons on December 11, 1987. The Agreement was signed by Prime Minister Mulroney and President Reagan on January 2, 1988.

In essence, the Free Trade Agreement provides for the following: the elimination of all bilateral tariffs and other border restrictions within 10 years, backed up with clearly defined rules of origin; special measures to enhance market access for each other's exporters in the areas of agriculture, energy, automotive products, and wine and distilled spirits; liberalization of the regulatory framework surrounding government procurement, investment and financial services; a precedent-setting code providing for national treatment in future legislation in a broad range of service sectors; and institutional provisions to achieve impartial resolution of disputes and to oversee implementation of the Agreement.

The Agreement was expected to be ratified following the passage of implementing legislation in the two national legislatures during 1988, and to enter into force on January 1, 1989.

In Canada, a motion calling for approval of the Free Trade Agreement was introduced into the House of Commons on December 15, 1987. The House Standing Committee on External Affairs and International Trade held hearings across Canada on the FTA during the same period.