

The voyage of the U.S. icebreaker Polar Sea through Canada's northern waters created a renewed interest in Canada's northern frontier. To confirm its sovereignty over our Arctic waters, Mr. Clark announced a series of measures in the House of Commons on September 10. These included: the establishment of straight baselines around the Arctic archipelago (effective January 1, 1986); extension of Canadian civil and criminal law to offshore areas in the Arctic; increased surveillance of Canada's Arctic waters; withdrawal of a 1970 reservation to Canada's acceptance of the compulsory jurisdiction of the International Court of Justice; and construction of a Polar Class 8 icebreaker for the exercise of more effective control over our Arctic waters.

Trade

On September 26 the Prime Minister announced in the House of Commons that discussions would begin with the United States on the scope and prospects for a new bilateral trade agreement which would secure, enhance and enshrine market access to the United States.

In November the Prime Minister named Simon Reisman to head the Canadian negotiating team. President Reagan has given the initiative a warm reception and Secretary Shultz has expressed the hope that negotiations could begin in the spring of 1986. On December 10 the President gave formal notification to Congress of his intent to negotiate a trade agreement with Canada.

The historic nature of the trade initiative has led to a wide public debate over its implications for Canadians. The Canadian objectives are clear: to secure and expand market access; to institute a better framework for the settlement of trade disputes; to compete fairly, both in North American markets and globally; to make the adjustments required to compete not only in the U.S. market also globally.

In seeking to strike a deal, the Prime Minister has emphasized that if these goals cannot be achieved, a deal will not be struck.

Last year merchandise trade between Canada and the United States amounted to over C\$168 billion, the largest commercial exchange between any two countries. Twice as great as America's exports to Japan, it is greater than U.S. exports to all nations of the European Economic Community. For the most part this trade is unhampered by tariff. Service transactions added another \$35 billion to our exchange. While Canada enjoyed a surplus on the merchandise trade, the United States has a clear advantage on service transactions and capital movements, putting the total of the current and capital accounts balance (over \$200 billion dollars) in virtual equilibrium between the two nations.

Under the National Trade Strategy, the government is seeking to increase exports to the U.S., especially in the fields of defence procurement, agricultural equipment, informatics, hi-tech goods, mass transit equipment and engineering, oil and gas technology, furniture, garments, construction in northern climates, and transborder data flows.

While Canada shares the U.S. concerns over closed markets and non-tariff barriers, it does not believe that protectionism is the solution. It views with alarm legislation in Congress aimed at restricting imports to the United States. A variety of actions have already affected Canadian exports in diverse areas such as fish, pork and specialty steel and action is threatened in other areas such as lumber.