

Arctic Pact

On January 11, the United States formally agreed to seek Canadian consent before sending an icebreaker through Arctic waters claimed by Canada.

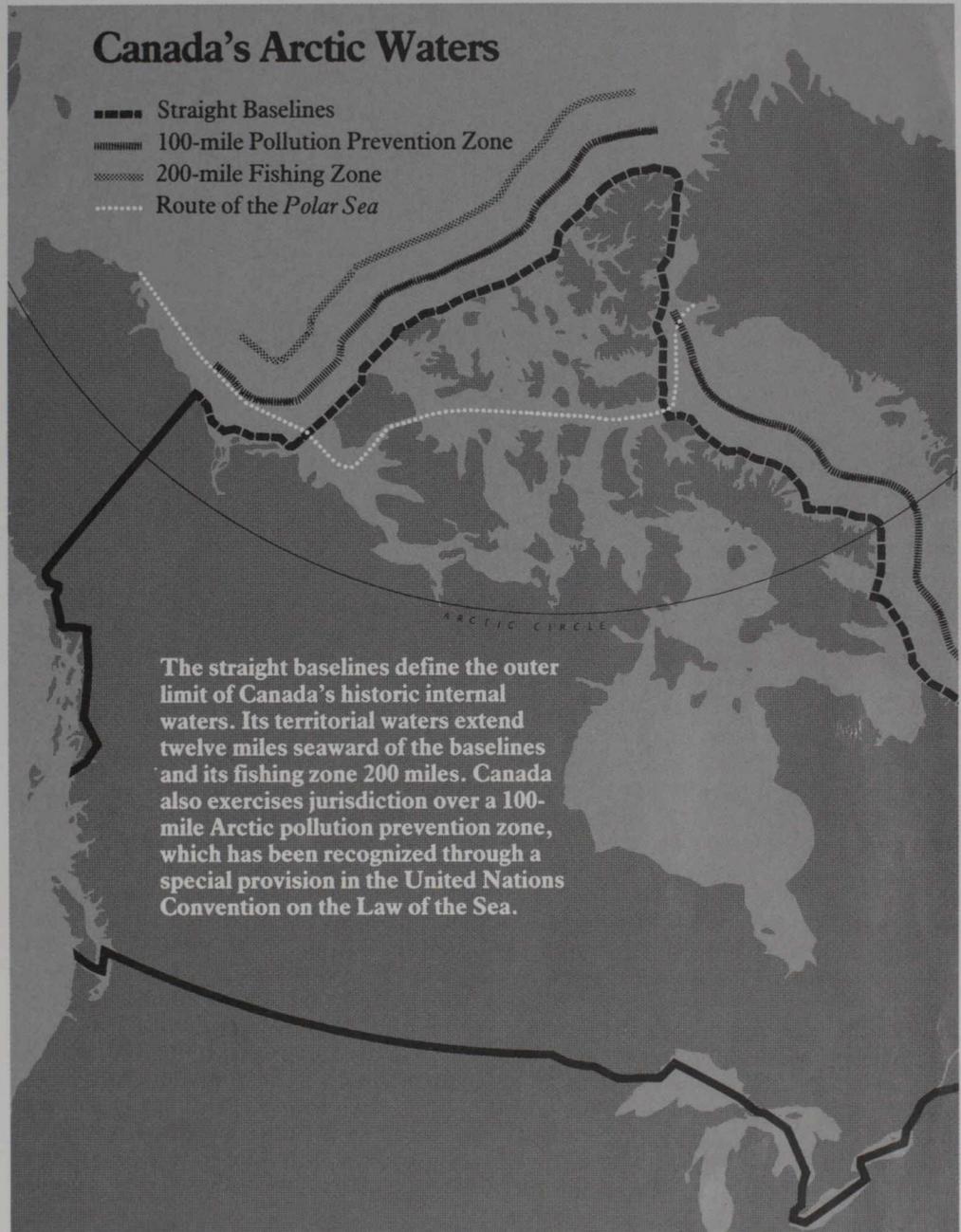
The pact, signed by Secretary of State for External Affairs Joe Clark and Secretary of State George Shultz, resolved a longstanding dispute over rights of passage, which came to a head when the U.S. Coast Guard icebreaker *Polar Sea* sailed the Northwest Passage in the summer of 1985. The U.S. had informed Canada of the voyage but had not asked Canada's permission, since it contends that the waters are international. Canada contends that the waters of the Arctic archipelago, which are frozen much of the year, are in effect an extension of Canada's land mass.

Subsequently, Canada identified the areas claimed precisely by releasing maps showing the waters enclosed in straight baselines, and formally extended Canadian laws to them and other offshore waters. It also increased civil and military patrols in the High Arctic and announced it would build the world's largest icebreaker to facilitate its access to remote areas. (See *Canada Today/d'aujourd'hui*, "Frozen Assets," Vol. 18, No. 1, 1987.)

The new agreement sets no precedents and is without prejudice to the legal position of either side. Prime Minister Mulroney said that Canada and the U.S. "have come to a practical agreement that is fully consistent with the requirements of Canadian sovereignty in the Arctic." President Reagan said it is "a pragmatic solution based on our special bilateral relationship, our common interest in cooperation in Arctic matters, and the nature of the area."

Mr. Shultz and Mr. Clark also signed a protocol broadening the 1971 U.S.-Canada extradition treaty covering persons charged with certain felonies, including tax evasion, white-collar crimes, parental kidnapping and escape from prison, which were not covered in the earlier treaty.

They also formalized arrangements for a bilateral consultative group on terrorism, which will make recommendations on border control, crisis management and information-sharing.



Canada's Expanding Economy

Canada had the fastest growing economy among the seven leading industrial countries of the free world last year.

Finance Minister Michael Wilson said Canada, which also led in 1986, should continue to grow at a substantial rate at least through the early 1990s.

Canada's Gross National Product increased 3.8 percent last year, is expected

to drop a percentage point this year because of a slowdown in housing construction, start back up in 1989 and then level off at 3.2 percent through 1993. Wilson said that Canada is in its sixth year of economic expansion and that the economic indicators remain positive.