

number of tax-deductible conventions Americans may attend abroad and impose stricter spending limits and reporting requirements on them.

In 1979, the Office of the U.S. Trade Representative (USTR) continued consideration of a complaint filed under the U.S. Trade Act by a group of U.S. border television stations against Section 19.1 of the Canadian Income Tax Act. This section prohibits income tax deductions for expenses incurred in directing advertising to Canadians from non-Canadian broadcast outlets. The USTR must make a recommendation in this case by July 26, 1980. In August 1979, a meeting of Canadian and U.S. officials was held to discuss border broadcasting issues, including the U.S. border stations' complaint. It was agreed that both governments would encourage the Canadian and U.S. private broadcasters to undertake industry-to-industry consultations on border broadcasting problems.

The Government's response to the Reisman Report on the state of the automotive industry paid particular attention to the question of investment incentives and the relative lack of research and development in Canada. A series of measures designed to promote automotive research and development by Canadian vehicle and parts manufacturers were announced. Consultations with the U.S. Government to contain competitive governmental subsidization of automotive investment continued.

Agricultural products continued to account for a large proportion of bilateral trade. Highlights during the year included agreement on a significant liberalization of bilateral agricultural trade within the context of the Multilateral Trade Negotiations, including bilateral agreement to accelerate implementation of certain agricultural tariff reductions. This advancement will benefit Canadian exports in such categories as livestock and meat, fruits and vegetables, grains and oil seeds, nursery stock and fish and fish products. The year also witnessed successful renegotiations of tariff changes on a range of fruits and vegetables, thereby implementing in large part the recommendations of a Canadian Tariff Board report. Negotiations were also successfully concluded on the quota for Canadian imports of chickens from the U.S., which was implemented in support of the chicken supply management program. The visit to Ottawa by the U.S. Secretary for Agriculture for a September meeting of the World Food Council provided an opportunity for meetings with Canadian ministers to review agricultural prospects and policies as seen from both countries as well as to discuss specific bilateral trade issues.

With the close interrelationship of the Canadian and U.S. economies, situations arise in which U.S. law, particularly its extraterritorial application, conflicts with Canadian interests. The Government has intervened before U.S. courts in civil anti-trust actions brought by private litigants against Canadian and other uranium producers, to assert its interest in the international marketing of uranium. The Government also expressed its concern about unacceptable

extraterritorial features of a bill before the U.S. Senate, the Oil Windfall Acquisition Act, which would foreclose significant sources of investment and inhibit Canadian energy development.

Energy

Energy remained an active field in Canada-U.S. relations through 1979 as Canada and the United States adjusted to both international and domestic energy developments. When Prime Minister Trudeau and President Carter met in Washington in March, they reviewed energy relations and agreed to establish a consultative mechanism on energy to facilitate bilateral co-operation in the energy field. The consultative mechanism subsequently met twice in 1979 and proved its usefulness as a high-level channel of communication between the two governments for the management of increasingly important energy issues.

Events in Iran during the year forced Canada to rely more on its own oil resources, resulting in the phasing-out of light oil exports to the United States earlier than had been anticipated. To help ease the adjustment problems of U.S. midwestern refiners dependent on Canadian supplies, Canada and the United States expanded their successful oil exchange program under which western Canadian oil is exported to midwestern states in exchange for United States supplies of crude to eastern Canada.

While Canadian light oil exports virtually ceased in 1979, late in the year the Government announced major new natural gas exports to the United States, the first significant increase in a decade. These exports of natural gas, found by the National Energy Board to be surplus to foreseeable Canadian requirements, should stimulate further exploration and development in Canada as well as strengthen Canada's balance of payments, which was affected by the rise in the price of imported oil.

The year saw continued progress towards construction of the Alaska Highway Natural Gas Pipeline, a joint Canada/United States project undertaken by the private sector to transport Alaska gas to the United States and to give Canada access to its natural gas resources in the Mackenzie Delta.

Trade in electricity between the two countries continued to grow in 1979, reflecting the opportunities identified in the Canada/United States Electricity Exchange study initiated in 1978 and published in May, 1979. At the same time, however, negotiations toward the siting of a U.S. strategic petroleum facility in eastern Canada had to be suspended in 1979 while the U.S. Government reviewed the future of its program. In other developments, Canada and the United States, together with Alberta and Saskatchewan, successfully negotiated a memorandum of understanding for co-operation in tar sands and heavy oil research and development, and both countries continued to consult closely as the U.S. moved towards a decision of a new oil port and pipeline to transport Alaskan oil from the west coast to midwestern refineries.