

THE UNITED STATES

- The United States is the world's foremost power. Its presence is global, its international influence is enormous and its views are a factor in the political and economic calculations of countries everywhere.
- The United States is also the principal member of the NATO Alliance and, ultimately, the guarantor of the security of the Western democracies.
- U.S. military power has been increasing and the U.S. economy is expanding and being restructured. Economic activity is shifting markedly from traditional industrial sectors and regions to new areas of high technology. Considerable effort is being expended to ensure the U.S. retains its preeminent position at the leading edge of many new technologies. The emphasis is on meeting foreign competition head-on in the market place.
- Economic optimism is tempered by a large budget deficit and a growing merchandise trade deficit, raising the prospect that protectionist sentiment in Congress will remain strong for some time.

Canadian Dimensions

- There is scarcely an area of Canadian national life not affected by our relations with the United States.
 - Canadian fiscal and monetary policies, especially interest rates and exchange rates, are heavily influenced by developments in the U.S.
 - About three-quarters of Canadian exports go to the U.S. market, while Canada is the largest market for U.S. exports. Two-way trade approached \$154 billion in 1984. Just the increase in Canadian exports to the United States last year exceeded the total of our exports to Europe and Japan.
 - 80% of all foreign investment in Canada is American; 15% of all foreign investment in the U.S. is Canadian.
 - U.S. companies control 58% of the Canadian oil and gas industry; Canada is the United States' largest foreign source of natural gas.
 - Canadians are more heavily influenced by American social and cultural values than by those of any other foreign group; transborder travel is extensive.
 - the physical environment of each country is affected by developments in the other.
 - the two countries share responsibility for the defence of North America, and are the only two non-European members of NATO.
- Trends suggest these connections will continue to intensify. The challenge is to try to harness them to serve Canadian interests.
- A basic factor in the management of relations is the asymmetry between the two countries.
- Americans see bilateral issues predominantly in economic terms; Canadians see them in political or cultural terms as well as economic.