Implementation of the results of the Multilateral Trade Negotiations will have a significant beneficial effect on bilateral trade relations. It is estimated that upon full implementation over 90% of Canadian exports will enter the USA at tariffs of 5% or less and almost 80% will be duty-free. The range of non-tariff agreements such as subsidies, countervailing duties, and product standards should serve to make market access between Canada and the USA more secure. The strengthened GATT dispute settlement process should provide a useful tool for the two Governments to resist protectionist pressures. However, the proliferation of federal and state "Buy America" legislation and small business and other set-aside programs has been a source of concern to Canada.

The automotive sector presents particular problems for Canada with a deficit of over Cdn $3 billion last year in trade with the USA. Preliminary data for 1980 show an improvement of almost $1 billion in Canada's bilateral trade deficit in automotive products. The total two-way automotive trade has also slipped by $3.4 billion from the 1979 level, reflecting the drop in automotive sales in both countries. In 1980, the Government initiated discussions with the industry and consultations at the Ministerial level with the U.S. Government to determine appropriate measures that would allow Canadian manufacturers to participate fully and effectively in the new generation of motor vehicle production.

The two countries are among each other's largest sources of foreign investment. The USA has over Cdn $52 billion in direct and portfolio investment in Canada, and Canada has an estimated Cdn $9 billion direct and portfolio investment in the USA. As a result of the importance of the two-way trade and the economic relationship, commercial and financial policies in one country can have a strong effect on the other. Close monitoring of each other's economic policies is essential.

Energy

Energy issues continue to be an important focus of national and international attention and to figure prominently in Canada/US relations. While both countries are pursuing their respective domestic programs, there is a continuous process of consultation and a will on both sides of the border to cooperate in areas of potential mutual benefit.

The Canadian Government's basic energy policy is spelled out in its National Energy Program of October 1980. This comprehensive program is designed to restructure Canada's energy system to balance domestic oil supplies with domestic demand by 1990, achieve an equitable sharing of energy benefits and burdens among Canadians, lead to a high level of Canadian ownership and control of the energy sector, expand the role of the public sector in oil and gas, and ensure greater industrial benefits from energy development. It provides a blueprint to end Canada's dependence on imported oil and to right a system which has worked against increased Canadian participation in the energy sector and in favour of the largest mostly foreign-owned petroleum companies. In 1979, for example, 72% of the revenues of the oil and gas industry went to foreign owned companies at a time when the industry is claiming an ever-rising share of the nation's wealth. While this