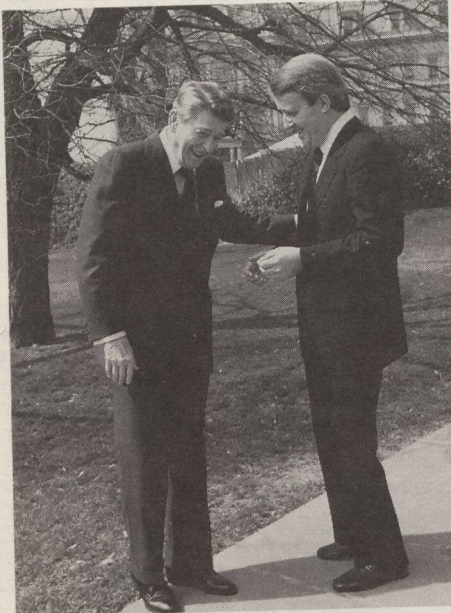


US amounted to over \$168 billion (Cdn), the largest commercial exchange between any two countries, and much of it was tariff free.

Under the national trade strategy, Canada is attempting to increase exports to the US, 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.

The prime minister announced in the Canadian House of Commons on September 26 that discussions would begin with the US "on the scope and prospects for a new bilateral trade agreement which would secure, enhance and enshrine market access to the US". For Canada the main objectives of the new trade initiatives are: to secure and expand market access; to institute a better framework for the settlement of trade



Mr. Reagan and Mr. Mulroney enjoy a break from the discussions on bilateral relations.

disputes; to compete fairly, both in North American markets and globally; and to make the adjustments required to compete not only in the US market but also globally.

President Reagan has indicated his support for the initiative. On December 10 the president gave formal notification to Congress of his intent to negotiate a trade agreement with Canada. US Secretary of State George Shultz has expressed the hope that negotiations could begin in the spring of 1986.

In his welcoming address at the summit, Mr. Reagan said the two countries were also poised to negotiate a historic accord on trade. "A new economic arrangement between Canada and the United States could, to our mutual benefit, encourage vigorous new economic activity and put an end to many of the irritants that have bedevilled us," he added.

At the conclusion of the summit, Mr. Reagan named former Multilateral Trade Ambassador Peter Murphy as special negotiator for the US. The head of the Canadian negotiating team, Simon Reisman, was named by the prime minister in November 1985.

NORAD pact renewal

In the area of defence, the two leaders agreed to extend the North American Aerospace Defence Command (NORAD) agreement for five years. The original agreement has been renewed roughly at five-year intervals since it was set up in 1957.

Mr. Mulroney and Mr. Reagan noted that extension of the pact is fully consistent with provisions of the Anti-Ballistic Missile Treaty and is in full accordance with other US and Canadian treaty obligations. They discussed the Geneva arms control negotiations emphasizing that progress must be made. Full compliance with existing arms control obligations was also stressed.

Space station program

Mr. Mulroney announced that Canada had accepted the president's invitation to participate in construction and operation of the US manned space station.

Canada's role will be to develop the mobile servicing centre of the space station, and to take an active part in managing this facility after the space station becomes operational in the mid 1990s. Total cost of Canadian participation in the international space station program is estimated at \$800 million over the next 15 years.

Canadian partnership in the space station is conditional upon the conclusion of a Canada-US agreement which is to be negotiated by March 1987, and will cover details of the Canadian contribution.

The prime minister said that he welcomed



US Secretary of State George Shultz (left) with Mr. and Mrs. Mulroney, in Washington.

this opportunity for Canada to participate with the United States, Japan and European countries "in what will be the most exciting international space venture of the 1990s".

Cultural celebration

A further announcement by the prime minister was that Canada would stage a cultural and artistic celebration in the US in 1988 in conjunction with the opening of a new Canadian chancery in Washington in the spring of 1988.

The new chancery was designed by Canadian architect Arthur Erickson, who was awarded the Gold Medal of the American Institute of Architects this year.

Planning for the Canada celebration is still in its preliminary stages, but will include the best of Canada's visual and performing arts. An unusual factor will be a high degree of private sector involvement, in both funding and management.

Canada's merchandise trade

With the United States

	1982	1983	1984	1985
	\$ millions (Cdn)			
Exports	58 350	66 744	85 464	94 656
Imports	47 059	52 681	65 738	74 119
Trade balance	11 291	14 063	19 726	20 537

US share of total Canadian trade

	(per cent)		
Exports	73.5	76.2	78.8
Imports	72.0	71.9	71.8

Change in Canada-US trade over that of previous year

	1983/1982	1984/1983	1985/1984
	(per cent)		
Exports	14.4	28.0	10.8
Imports	11.9	24.8	12.7