

counterparts. By all reports, the "chemistry" between the two leaders was good. At the same time, Prime Minister Mulroney in post-meeting remarks stressed that a pro-US stand meant in no way a subservience on the part of Canada but rather the maturity of an "excellent relationship" (*Globe and Mail*, September 26).

In his departure statement, Mr. Mulroney stated that there existed a "tremendous potential for improved cooperation and joint development" between Canada and the US. This would, said Mr. Mulroney, include a continued Canadian contribution of ideas toward the "common search for peace and security." Stressing that Canada would seek to renew the economy through the establishment of a "climate for vigorous economic growth," the Prime Minister called for an intensification of consultation between the two countries, "more coherence in the management of our relationship and more action on our shared priorities" (PMO press release, September 25). The statements indicated that the Conservative government would be welcoming foreign (US) investment capital, and this was further emphasized by the renaming of the Foreign Investment Review Agency (FIRA), "Investment Canada."

While the meeting revealed a Canadian willingness to accept increased US investment, it also showed that Canada would, in Mr. Mulroney's words, "open lines of communication with any country that would help us find peace." This "independent stance in foreign policy" would not, however, alter the "special relationship" or the desire for "prior consultation and frequent communications" (*The Citizen*, September 26).

Steel Imports

Canada remained determined during this two-month period to secure exemption for its steel exports from the possible imposition of US tariffs or quotas on imported steel, as recommended last July by the US International Trade Commission (ITC) (see "International Canada" for June and July 1984 — US — Steel Imports). Canada continued to press its case to head off the possibility that President Reagan would accept the ITC recommendations for the imposition of restrictions, by sending officials from the Department of External Affairs to Washington in mid-August for discussions with US counterparts in the Commerce Department and the office of the US Trade Representative. It was reported that while the Commerce Department favored an "orderly marketing arrangement" with selected countries offering a "threat" to the US industry (the solution most favored by the Canadian government and steel industry), the Trade Representative's office had advocated a combined global quota system coupled with orderly marketing arrangements (of voluntary limits) with countries not posing a significant threat (*Globe and Mail*, August 15).

While US officials expressed sympathy with Canadian concerns with regard to a possible exemption, they were unwilling in mid-August to commit themselves to such a suggestion for the President's consideration. The inter-agency group, headed by US Special Trade Representative William Brock, to whom Canada made the appeal, was "far from decided" whether to recommend acceptance, rejection or modification of the ITC proposal, the *Citizen*

reported August 18. A spokesperson for the Brock office indicated an "appreciation for Canada's situation," and expressed a realization that quotas "would be very disruptive" for the Canadian steel sector.

A backlash was reported in the Canadian arm (representing 150,000 members) of the United Steelworkers Union of America, when it became evident that the Union's US leadership had extended its support for the imposition of quotas against imported steel. Several Canadian locals, including Stelco Steel, had debated a resolution condemning the Union's stand on the issue, demanding that the Union "not pursue any policies that save the jobs of American members at the expense of Canadian members" (*Globe and Mail*, August 20).

Both then Prime Minister John Turner and then International Trade Minister Francis Fox issued statements on the matter. The Prime Minister wrote directly to President Reagan August 27 on the subject of steel and copper import restrictions, stressing the "unique nature of Canada-United States trade in these products." He continued that the threat of an implementation of import restrictions was "the most acute issue on the bilateral agenda," and added that Canadian suppliers had been both "responsible and responsive." Common interest would suggest an avoidance of "market distorting import measures," wrote the Prime Minister (PMO press release, August 30). Mr. Fox, following a meeting with William Brock, released a statement August 29 which underlined the government's "strong opposition" to restrictive measures. He had indicated to Mr. Brock the strong two-way trade between the US and Canada related to the steel industry as well as "future prospects." Mr. Fox emphasized at his meeting with Mr. Brock that Canada remained ready to enter consultations "with respect to any untoward rises in volume of imports of certain steel products with a view to understanding the underlying market forces and agreeing on appropriate remedial action if required" (External Affairs communiqué, August 29). However, Mr. Fox later told reporters that the possibility existed that Canada would retaliate with trade barriers against selected US products, should President Reagan's final decision go against Canada. The right to respond in such a manner to possible US restrictive measures was acknowledged by US officials to exist under the General Agreement on Tariffs and Trade (GATT) (*The Citizen*, August 30).

While US steel producers continued their own lobbying, pressing President Reagan to accept protectionist measures in the steel sector, there were indications in the press that the President favored a compromise plan whereby traditional trading partners (including Canada, Japan and the EEC) who had exhibited self-restraint and fair trading would not be penalized for the trading practices of other nations — those the ITC determined to be harming and disrupting the domestic steel industry (*The Citizen*, August 28).

In early September, a US coalition of retail, manufacturing, farming and consumer interests called on President Reagan to ignore demands for restrictions on offshore steel, citing the possibility of increased steel prices, "higher consumer prices and possible retaliation" (*The Citizen*, September 5). Layoffs in US industries relying on imported