

PART B

Chapter 1: THE UNITED STATES

The management of relations with the United States, which were of greater magnitude and complexity than those with any other nation, remained during 1979 one of the Department's central challenges. Consultations took place on a broad range of bilateral political and trade matters. Important progress was made in dealing with a number of issues, and efforts were made to resolve others. Energy, environment, fisheries and boundary issues figured prominently throughout the year.

Numerous visits between Canadian ministers and their U.S. counterparts took place in 1979. Prime Minister Trudeau visited Washington in March. Regrettably, the visit of President Carter to Ottawa, scheduled for November, was postponed because of the hostage situation in Iran. Personal contact and consultation among Canadian parliamentarians and U.S. Members of Congress were fostered by the Canada-U.S. Inter-parliamentary Group, which held its twentieth meeting in Calgary in August.

During the year, Canada and the United States continued to co-operate closely in the search for solutions to many international, political, economic, human rights, security and social problems. Co-operation was particularly close in response to events in Iran.

Maritime boundaries and fisheries

High priority continued to be given in 1979 to bilateral maritime boundary and fisheries issues. A major achievement was the signing on March 29 of the Canada-U.S. East coast fisheries and maritime boundary agreements, which, however, must still be ratified. The treaty submitting the Gulf of Maine boundary case to third party adjudication is directly linked to the Fishery Resources Agreement, which provides for permanent co-operative management and for specific access to fishery stocks of mutual concern.

On the west coast, Canada and the United States concluded two bilateral agreements on reciprocal fishing for groundfish and halibut. Discussion continued on arrangements for salmon, albacore tuna, herring and other fisheries (see also Part A, Chapter 4).

Trade and economic issues

Canada and the United States remain each other's most important trading partner, their total merchandise trade in 1979 exceeding \$90 billion. Canada had a small surplus in merchandise trade with the United States, amounting to

approximately \$170 million. A large deficit of \$7.9 billion in non-merchandise trade, however, resulted in a total current account deficit with the United States of \$7.8 billion for the year.

Canada-U.S. trade relations will be significantly affected by the results of the Multilateral Trade Negotiations. It has been estimated that after these results are fully implemented, over 90 per cent of Canadian exports will enter the U.S. at tariffs of 5 per cent or less and almost 80 per cent will be duty-free. The tariff reductions average about 40 per cent on dutiable items in bilateral trade. Also significant are the range of agreements reached on non-tariff measures which are intended to make market access more secure. Notable in this respect is U.S. acceptance of the requirement for a "material injury" test before countervailing duties are imposed. Both Canada and the United States attach considerable importance to the strengthened GATT dispute settlement process.

Though the great bulk of bilateral trade proceeds without intervention from the two governments, frequent consultations took place in the search for solutions to those problems which did arise. In this context, "buy national" practices have been the subject of bilateral discussions. For example, Canada has continued to seek relief from the "Buy American" provisions of the U.S. Surface Transportation Assistance Act of 1978, which hinder Canadian firms in their efforts to compete in the U.S. mass transit market. Canadian and U.S. safeguard actions, aimed essentially at imports from third countries, also caused bilateral difficulties. This happened with respect to Canadian exports of industrial fasteners and specialty steel. Bilateral consultations for remedial action took place on these two issues as well as on U.S. footwear exports affected by Canadian quotas imposed in 1978.

The Canadian Government was considering invoking its GATT rights as a result of the impairment of Canadian trade by the U.S. embargo against Canadian tuna products, imposed after American tuna boats were arrested on the West coast for fishing in Canadian waters without authorization.

Certain U.S. tax measures continued to contribute to the very large deficit with the U.S. experienced by the Canadian tourist industry and to have an adverse effect on the Canadian convention industry. The Government pressed for modification of the U.S. measures, which restrict the