

was by treaty agreement submitted to the International Court of Justice in the Hague for binding determination. Until this question was resolved, both parties agreed to do nothing to force the issue in the other disputed areas.

Both countries also agreed on the need for a treaty to cover the management of Pacific salmon resources. While it appeared in early 1983 that agreement had been reached, the USA subsequently requested substantive revisions, which have since been discussed in a number of technical negotiations without agreement being reached. Agreement is not likely during 1984, in view of the US elections, but it is hoped that both sides will continue the efforts to reach an agreement by the 1985 Congressional session.

Canada and the United States continue to be each other's most important trading partner. In 1983, two-way trade totalled \$120 billion. Canadian exports to the USA (\$66.3 billion) increased 15 per cent over those of 1982, and represented more than 70 per cent of total Canadian exports. The increase in exports to the USA alone was greater than Canada's total exports to the EEC and nearly double our exports to Japan. In 1983, Canada had a surplus in trade with the USA in excess of \$12 billion, (the 1982 surplus was \$9.8 billion) and had a current account surplus of \$2 billion. Canadians purchased about 17 per cent of all US exports.

The bilateral trade and economic relationship remained in good shape although, as could be expected with a relationship so extensive and complex, there continued to be concern over several issues. One was the threat of protectionism in the United States. Although there were signs of economic recovery in North America in 1983-84, there continued to be considerable protectionist pressures on the Reagan Administration and Congress. This resulted in trade-restrictive actions and proposals for future restrictive measures that could affect a wide range of Canadian exports adversely including steel, copper, machine tools, fish, potatoes, sugar products and asbestos. In addition, Canada continued to be concerned over proposed US legislation for domestic content requirements for automobiles, proposed amendments to US countervail and anti-dumping laws, and proposed reciprocity legislation. Extraterritoriality (the assumption of jurisdiction by the US government or regulatory agencies over persons, property or events outside the United States) also remained a concern for Canada (see also Chapter 2).

One positive development in the Canada-US trade relationship during 1983 and early 1984 was the USA's decision to exempt cement from the "buy America" restrictions applied under the Surface Transportation Assistance Act (thereby allowing the use of Canadian cement on highway and urban transit projects that receive US federal government assistance). Another was the dismissal by the US Department of Commerce of allegations that Canadian softwood lumber producers unduly benefited from Canadian subsidies. The Canadian acceptance of recommendations of a GATT panel on FIRA operations was viewed positively by the US. There was some progress on specific aspects of the extraterritoriality issue with the signing of the Memorandum of Understanding on Anti-Trust Consultation in March 1984, and the beginning of negotiations on a Treaty on Mutual Assistance in Criminal Matters.

In addition, Canada and the USA agreed to examine the advantages and disadvantages of limited sectoral free-trade

arrangements. This was one of the items proposed in the "Discussion Paper on Canadian Trade Policy for the 1980s", issued in August 1983. In that paper, Canada noted the importance of its trade relations with the USA and suggested that consideration be given to free-trade arrangements in particular sectors. Subsequently, studies were initiated on sectoral arrangements in steel, agricultural equipment, government procurement (urban mass transit) and informatics.

Bilateral discussions on trade and economic issues took place on several occasions during the year, including meetings between the US Trade Representative and the Canadian Minister for International Trade, and also within the broader context of the regular quarterly meetings between the Secretary of State for External Affairs and the US Secretary of State. Also, Canadian views on trade and economic issues were highlighted in numerous speeches given to American business organizations by Canadian ministers, and by the Canadian Ambassador to the United States.

In addition to ministerial visits to and from the United States, the Department sought to increase participation by Canadian industry in the US market. It commissioned private consultants to study the market for Canadian products in different regions of the US. These studies identified export opportunities and matched them to specific capabilities of small and medium-sized Canadian firms. Workshops and seminars on completed studies were designed to brief industry on opportunities, and prepare marketing strategies to pursue them.

The Department organized 30 trade shows in the United States at which about 450 Canadian firms exhibited their products and reported on-site sales of nearly \$7 million, with projected sales of \$275 million. It also organized 24 missions involving 304 participants to or from the United States with a forecast of \$15 million in future sales.

The Department has a corporate liaison program to promote understanding among leading US business executives of the potential for doing business in Canada and of Canadian economic policies, and it advocates Canadian interests generally with key US decision-makers. The Department sponsored four seminars to acquaint sectors of the US corporate community with investment conditions and opportunities in Canada. These seminars, organized by Canada's consulates-general in the USA, are carried out in co-operation with participating provincial government agencies, and are designed to stimulate US investment in Canada.

Environmental issues continued to be of major concern to Canada. Acid rain was the first item on the agenda in the October 1983 and April 1984 meetings held between the Minister and the Secretary of State, but the USA maintained its position that further research was required prior to the negotiation of a bilateral agreement to reduce sulphur dioxide emissions. The signature of the Skagit River Valley Treaty marked the successful resolution of long-standing fears that the valley would be flooded. Progress was also registered in the Garrison Diversion question, with the United States agreeing to certain technical modifications to Phase I intended to protect Canadian waters, and to support studies of alternatives to Phase II which poses the greatest danger to Canadian waters. The US Secretary of State agreed to establish consultations on the problem of Niagara River toxics, where Canada is seeking urgent and effective clean-up of toxic waste disposal sites on the US side of the river.