

throughout the year. Concern over hazardous and toxic waste sites in the Niagara River area led to the establishment of a bilateral toxics committee to monitor Niagara River pollution. The Garrison Diversion project in North Dakota which might bring foreign biota into Canadian waters remained an issue of concern to Canada. Other unresolved environmental issues were the flooding of a wilderness area of the Skagit Valley in British Columbia and the proposed construction of an oil refinery at Eastport, Maine, a possible danger to Canadian fisheries.

The National Energy Program, which Canada announced in October 1980 with the objective of oil self-sufficiency by 1990, remained the subject of adverse criticism in the United States. This criticism intensified early in 1981 after several Canadian companies made take-over bids of US oil companies and their Canadian affiliates. The government countered this criticism in a series of public statements and in several high level bilateral meetings. US retaliation directed at specific elements in the National Energy Program was avoided in 1981. Work on the Northern Gas Pipeline continued as Canada argued successfully for US acceptance of a package of waivers to US laws which impeded progress on its construction.

#### Latin America and the Caribbean

In the past few years Latin America and the Caribbean have attracted increasing attention with burgeoning industrialization in Mexico and South America, counterbalanced by economic problems in the Caribbean and violence in Central America.

In 1981, Canada's policy of greater emphasis on the area resulted in several important initiatives in our international relations. The Prime Minister visited Brazil and Mexico. Other ministers also visited these two countries as well as Venezuela, Peru, Ecuador and Chile. The Joint Ministerial Committee met in Mexico and there were sectoral meetings in Mexico and Brazil.

In January, the Secretary of State for External Affairs announced that the Commonwealth Caribbean would have priority in Canadian foreign policy and, in July, Canada associated itself with the United States, Mexico and Venezuela in the Caribbean Basin Initiative. The House of Commons established a sub-committee on relations with the Caribbean and Latin America after spending considerable time discussing the situation in Central America in the foreign policy debates of March and June.

#### Europe

The economic difficulties of recession affected social and political issues in Europe on a scale not seen since the 1930s. In the European Community alone, industrial production fell by 3.2 per cent, the average inflation rate was 12 per cent, the global trade deficit reached \$45 billion and unemployment rose to 8.3 per cent. The Community made no significant progress on crucial issues such as the budget or common agricultural policy