
and sociology. Following a brief stint as sports broadcaster and editor, Mr. Reagan moved to California to work in motion pictures.

In 1966 Ronald Reagan began his public service career with his election as Governor of California, and he was elected to a second term in 1970. Following an unsuccessful candidacy in 1976, he was nominated as the presidential candidate by the Republican National Convention in July 1980. On November 4, 1980, Ronald Reagan was elected to the Presidency of the USA, and he was re-elected in 1984.

This will be President Reagan's sixth economic summit. He will be accompanied by the Secretary of State, George Shultz, and the Secretary of the Treasury, James Baker. President Reagan's Personal Representative is Mr. Allen Wallis.

Recent Economic Performance

1985 marked the third year of the current U.S. expansion, but while final domestic demand continued to increase robustly, overall GNP growth slowed to 2.3%, markedly lower than its 1984 pace of 6.6%. The difference between production and demand was made up by imports, and the trade deficit increased rapidly, setting new records in the process. Some time during the year the USA ceased to be a net creditor nation.

In a more positive vein, U.S. consumer inflation continued to decline, reaching a level of 3.6% in 1985. Unemployment, while still high, is well below its recession peaks and interest rates have continued to fall. Investor optimism has rebounded with falling world oil prices, passage of the Gramm-Rudman deficit reduction bill, the prospect of tax reform legislation and the lower value of the dollar. None of these developments has yet had a major impact on the trade deficit, but the general outlook for the economy is now brighter than it has been in recent months.

Canada/United States Relations

Canada and the United States have the most complex and extensive relationship of any two countries in the world. They are each other's largest market.

They cooperate in the defence of the North American continent and, through the North Atlantic Treaty Organization, of Western Europe as well.

President Reagan first met Prime Minister Mulroney on his visit to Washington in June 1984 as Leader of the Opposition and on his first visit abroad as Prime Minister in September 1984. Subsequently, they have held detailed bilateral discussions at the Québec Summit in March 1985, and the Washington Summit in March 1986.

Canada and the United States are each other's most important trading partner. Statistics Canada reports that in 1985, Canada-U.S. trade grew 11.6% to a two-way total of C\$168.8 billion. Canadian exports to the United States rose 10.8% to C\$94.7 billion, representing 78.8% of all Canadian exports. Canadian imports from the United States increased 12.7% to C\$74 billion representing 71.8% of all Canadian imports. Canadian exporters have a 19.2% share of the American import market and 22.1% of all American exports went to Canada, exceeding US exports to the EEC and representing double the amount that Japan imports from the U.S.A. (US exports to Ontario alone are considerably greater than US exports to Japan.)

On September 26, Canada made a formal proposal to negotiate a new bilateral trade agreement with the United States.

Canada and the USA are also the principal destinations for each other's foreign investment. The United States has approximately \$113 billion in direct and portfolio investment in Canada compared to an estimated \$34 billion in direct and portfolio Canadian investment in the United States.

Close cooperation between Canada and the United States during the Second World War established a lasting pattern of defence cooperation. The Permanent Joint Board on Defence ensures continuous consultation at the policy planning level on bilateral defence matters. At the Washington Summit,