

UNITED STATES OF AMERICA

President Ronald Reagan

Ronald Wilson Reagan was born on February 6, 1911, in Tampico, Illinois. He graduated from Eureka College (Illinois) in 1932 with a degree in economics 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 seventh 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.

Trade and Economic Relations

In 1986, the total two-way merchandise trade was, according to Statistics Canada figures, C\$172 billion with C\$94 billion in Canadian exports and C\$77 billion in imports from the United States. In 1986 almost 78 per cent of all Canadian exports went to the United States and the American market accounted for about 70 per cent of Canadian imports. In terms of American trade volumes, the value of the goods traded with Canada represents over 20 per cent of all US exports and about 18 per cent of total US imports. Moreover, Canada is a growing destination for US goods and Statistics Canada figures show that the value of US exports to Canada increased by 4.3 per cent in 1986, following a 12.7 per cent increase in 1985.

On September 26, 1985, Canada made a formal proposal to negotiate a bilateral trade agreement with the United States. In April 1986, the US Senate gave President Reagan authority to conduct the negotiations under a "fast track" mandate and discussions began in May. In order to meet the "fast track" timetable for approval by January 1988, a draft agreement must be ready for presentation to the US Congress by October 1987. The negotiations are proceeding at a satisfactory pace and both sides are confident

that this deadline will be met.

The negotiations address tariff as well as non-tariff barriers. Canadian objectives include securing existing exports from the threat of protectionist measures, expanding market access, and achieving higher productivity through longer production runs and increased competition. Priority areas for Canada are contingency protection, government procurement and institutional arrangements, including dispute settlement mechanisms. The US has indicated that its priorities are tariffs, procurement and the "new" trade-related issues: services, intellectual property and investment.

Canada and the US are also the principal destinations for each other's foreign investment. In 1986, the United States had an estimated C\$ 129 billion in direct and portfolio investment in Canada compared to an estimated \$ 54 billion in direct and portfolio Canadian investment in the United States.

An Overview of the USA Economy

In 1986, the US economy completed its fourth year of expansion since the 1981-82 recession. Real GNP rose 2.5 per cent in 1986, a second consecutive year of moderate growth, following strong growth in 1983 and 1984. The overall economic situation since mid-1984 has been one of fairly buoyant growth in domestic demand, much of which has been offset by a deteriorating US foreign trade position. Domestic demand rose 3.6 per cent in 1986. Real imports grew at three times this rate however, and the response of exports to the sharply lower value of the dollar has been slow to appear. The US merchandise trade deficit reached a record \$169.8 billion on a cost, insurance, freight (CIF) basis in 1986. Concurrently, the US Budget deficit reached a record of \$221 billion.

Real GNP growth increased to 4.4 percent in the first quarter of 1987 from 1.1 percent in the previous quarter. Growth was propelled by a massive swing from inventory decumulation to accumulation and an improvement in the real trade position. Final domestic demand declined 3.5 percent. The weakness in final domestic demand was broadly based with all components registering declines. The volume of net exports improved for the second consecutive quarter, providing further evidence that the dollar's depreciation is finally leading to a revival of the