

of duties on more than 400 tariff items covering approximately \$6 billion in bilateral trade.

A second round of tariff elimination consultations has begun, and a substantial number of proposals for additional tariff elimination have been received by both governments.

To put the FTA in perspective, the two-way merchandise trade between Canada and the United States is the largest in the world (about \$200 billion in 1989). The United States accounts for 75 per cent of Canadian exports and 65 per cent of Canadian imports.

In turn, Canada is the largest export market for the United States, absorbing 21 per cent of all U.S. exports. Canada buys more U.S. products than Germany, the United Kingdom, France and Italy combined. In fact, Ontario buys more U.S. goods than all of Japan. According to the U.S. Department of Commerce, Canadian imports maintain over two million manufacturing jobs in the United States.

Canada and the United States are also major investors in each other's economy. According to the U.S. Department of Commerce, the cumulative book value of Canadian direct investment in the United States was recorded at roughly U.S.\$27 billion at the end of

1989, with investments mainly in retail trade and manufacturing. The United States, on the other hand, is Canada's top investor, having invested some U.S.\$67 billion at the end of 1989.

In the field of environmental relations, Canada and the United States have made significant progress in overcoming and resolving difficult problems of transboundary water pollution and wildlife management. However, transboundary air pollution (acid rain) remains a major bilateral challenge.

Canada's priority is to achieve a bilateral air quality accord that will establish specific emission reduction targets and timetables. The introduction in Congress, in July 1989, of a bill amending the U.S. Clean Air Act (including a 10 million metric ton reduction in sulphur dioxide emissions by the year 2000) was a significant step in the direction favoured by Canada, which was further emphasized by President Bush's commitment to an air quality accord with Canada.

Cooperation for the defence and security of North America was highlighted in 1990 by the 50th anniversary of the creation by Prime Minister Mackenzie King and President Franklin D. Roosevelt of the Permanent Joint Board on Defence. Canada is