

PART III

CANADA-U.S.
TRADE RELATIONS

40. The preceding sections have discussed how important export markets are to Canada and the priority we must attach to exploiting opportunities to address barriers to access to all markets. The Canada-U.S. trade relationship, however, by its very dimension in our total trading effort, requires special attention and concern.

41. The trade dimension is an integral part of a unique and highly concentrated bilateral relationship spanning trade (estimated at \$150 billion in 1984), investment, technology and a vast network of intra-corporate exchanges. Proximity, mobility of capital, similar business and economic structures, reductions in tariffs through multilateral trade negotiations and a common approach to the rules governing trade underpin the relationship. In light of the international outlook, it is improbable that the long term trend toward greater involvement with the U.S. in trade, investment and access to technology, will be reversed.

42. The main problem for Canadian access to the U.S. market is increased threats of protectionist measures, not all of which are directed specifically at Canada. In recent years, Canadian producers in many sectors (including lumber, steel, copper, fish, urban mass transit equipment, cement and agricultural products) have experienced the uncertainty and harassment of threatened or actual U.S. restrictions on imports with the associated implications for the investment climate in Canada. Protectionist sentiment in the U.S. today is strong and, in light of the unprecedented size of the U.S. merchandise trade and current accounts deficits, is unlikely to abate in the foreseeable future. As an example, there are renewed pressures in the U.S. to impose restrictions on \$2 billion of Canadian softwood lumber exports even though, just two years ago, an effort to impose high tariffs was successfully resisted.

43. While there are, and will continue to be, instances where U.S. producers' concerns are directed at imports from Canada, frequently Canadian trade interests are threatened by measures of general application implemented to give preferences to U.S. producers e.g. Buy America, or to deal with injurious or predatory imports from other sources. Such actions lead to investment outflow as firms