

Chapter 4

CANADA'S REGIONAL INTERESTS

The United States

Canada's bilateral relationship with the United States encompasses a wide spectrum of interests which touch every aspect of the economic, political, social and cultural life of the two nations. It is a complex relationship of the utmost importance to Canada. The government has recognized the significance of this relationship in formulating its principal goals of economic renewal and creation of employment. The strategy adopted for achieving these goals emphasizes a coherent and co-ordinated approach while seeking to foster increased co-operation in resolving common problems.

A central idea behind the government's approach is that Canadians have the maturity and self-confidence needed to enter into a closer relationship with the United States, and that such a relationship will benefit Canadians in many ways: by providing enhanced and more secure access to the US market for Canadian exports, by bringing in new investment to stimulate growth and create jobs, by fostering increased co-operation in common problems such as the protection of the environment, and by establishing a new channel to bring Canadian influence to bear on international issues. The key element in managing the bilateral relationship is the annual summit between the Prime Minister and the President of the United States. The management process also has involved the continuation of quarterly meetings between the Secretary of State for External Affairs and the US Secretary of State, regular contacts between other ministers and their US counterparts, increased consultation with the provinces and the private sector, and more frequent and systematic contacts between Members of Parliament and Congress.

Since the Quebec Summit, the government has made major decisions which affect our relations with the United States in a fundamental way. The most important was the decision to launch the Trade Initiative. On September 26, 1985 the Prime Minister announced in the House of Commons that discussions would begin with the United States on the negotiation of a trade agreement which would secure, enhance and enshrine Canadian market access to the United States.

The highlight of the bilateral relationship this year was the Washington Summit (March 18-19), the second of a regular series of annual meetings between the Prime Minister and the President. The Washington Summit advanced the bilateral agenda on several key fronts. The Prime Minister succeeded in obtaining assurances from the Administration and Congressional leaders that trade talks would commence as planned. On acid rain Canada welcomed the President's endorsement of the Special Envoys' Report. Finally, the renewal of the NORAD Agreement symbolized the two countries' continuing commitment to the joint defence of North America.

In recognition of the need to reduce Canada's vulnerability to the increasingly complex and diffuse decision-making process in the United States, the Canadian Embassy in

Washington and the 13 Consulates General have been expanding their networks of influential contacts at every level and in every region of the United States. The use of consulting firms as sources of expert advice on key bilateral issues, particularly in the areas of trade and the environment, continues to ensure that Canada's position on issues is presented in an effective and timely manner.

As part of the strategy to seek an improved trading relationship, the Honourable James Kelleher, Minister for International Trade, submitted, early in the year, a preliminary report to Cabinet on the results of his public consultations with business, labour and other parties on how to secure and enhance Canada's access to export markets. Over the summer more consultations took place and a special parliamentary committee held public hearings. The report of that committee and of the MacDonald Royal Commission on Canada's Economic Prospects added support to a growing consensus on the need for a new direction in Canada-US trade relations. After another report by the Minister to Cabinet in September, the Prime Minister wrote to the President on September 26 expressing Canada's interest in negotiating a new trade agreement. The President warmly welcomed this initiative. He began the process of consultations with Congress in December; approval of fast-track negotiating authority was expected in the spring of 1986.

In preparation for the negotiations, consultations with the provinces and the private sector continued and a Trade Negotiations Office was established under Mr. Simon Reisman. Mr. Reisman's objective was a comprehensive trade agreement that would secure and enhance Canada's access to its most important export market. The agreement should cover the broadest possible range of goods and services consistent with a commitment to Canada's culture and sovereignty.

The importance attached to the trade initiative by both governments reflects the fact that Canada and the United States have the largest bilateral trade and economic relationship in the world. In 1985, Canadian merchandise exports to the United States rose 10.8 per cent to \$94.7 billion, representing 78.8 per cent of Canadian exports. Imports from the United States increased 23.7 per cent to \$74.1 billion, representing 71.8 per cent of Canadian imports. The US Commerce Department reported that US exports to Canada exceeded all US exports to the EEC (10) and amounted to more than twice the volume of US exports to Japan. (US exports to Ontario alone are considerably greater than US exports to Japan.) From 1982 to 1985, US exports in general grew only 0.4 per cent, which included growth of 7.9 per cent in exports to Japan and a fall of 4.5 per cent in exports to the EEC. In contrast, exports to Canada were up 40.1 per cent, confirming Canada's role as America's best customer.

The Canadian surplus on the merchandise trade balance was \$20.5 billion in 1985, an increase of only \$800 million