

Jewett, NDP external affairs critic (*New Westminster-Coquitlam*), that he release the framework agreement approved by Cabinet for negotiating U.S. weapons testing in Canada. Mr. MacGuigan said that negotiations were still in progress. The final agreement, when concluded, would be made available.

In Parliament March 22, Miss Jewett failed to secure unanimous consent for her motion to refuse to allow flight testing of cruise missiles in Canada. In a later question, she saw such testing leading to nuclear escalation. Mr. David Berger, *Parliamentary Secretary of State to the Minister of State Small Businesses and Tourism*, answered with the same outline of Canadian security policy previously delivered by Mr. MacGuigan before the Standing Committee on February 25 — the maintenance of deterrence strength coupled with verifiable, multilateral arms control.

Mr. Lamontagne, responding to a question from Mr. Bill Yurko (*P.C. Edmonton East*) on March 26, explained that discussions begun under the Carter administration on the possibility of U.S. testing of some of its weaponry in Canada had developed into negotiations concerning an umbrella agreement "under which we would have full control of any testing done in Canada . . . and nothing will be done which is detrimental to Canadians". (*Globe and Mail* March 19 and 25; *Proceedings of the Standing Committee on External Affairs and National Defence*, 32nd Parl, 1st sess. no 65, February 25, 1982.

Senate Report on Canada/U.S. Free Trade

The concluding volume of a three volume study by the Standing Senate Committee on Foreign Affairs on Canada-United States Relations argues in favour of free trade between Canada and the United States. The mandate of this report, *Volume III — Canada's Trade Relations with the United States*, was to present an intensive examination of the free trade proposal put forward in Volume II (1978).

The report shows that Canadian industry, especially in the production of end products, is not able to compete effectively in the current world trading environment. Canada is said to be "left out in the cold" with respect to international trade agreements. The Committee asserts that what Canada lacks is a large market to inspire increased productivity. Canada's manufacturing sector, characterized by a fragmented and inefficient structure, a lack of specialization in product lines, a lack of scale and low productivity rates, showed a \$20 billion trade deficit in 1981. A bilateral free trade agreement with the United States is presented by the Committee as the most viable solution to an increasingly bleak economic forecast.

The Senate Committee reports that free trade with the United States would serve to eliminate the effects of recent U.S. protectionist measures not aimed at Canadian industry. "Buy American" purchasing regulations adopted by federal and state governments have forced many Canadian firms to establish plants in the U.S. to jump the non-tariff barriers.

The Committee investigated various options compatible with the long-standing General Agreement on Tariffs and Trade (GATT) and found the best approach to be an "across-the-board Bilateral Interim Agreement." This model would offer the advantage of providing a negotiating

formula to deal with non-tariff restrictions and would address the whole spectrum of trade. It would include all goods unless specifically excluded. In addition it is suggested that the agreement be sufficiently open-ended to include Mexico, should a North American agreement be sought in the future.

The Committee's conclusions and recommendations are based on the conviction that Canada has more to gain than lose through the negotiation of a free trade agreement with the United States. The Committee feels it has a convincing case. It found no convincing evidence to support the widely-held view that Canada's political and cultural independence would be threatened by free trade. The Committee warns that "a far more potent threat to Canada's political and social strength would come from a continued weakening of its industrial performance and a decline in its economic stability." While putting firms without export capacity at a disadvantage, the forecasted changes in Canada's industrial structure would benefit firms with the capacity to grow and specialize, the Committee speculates.

U.S. Reaction to FIRA/NEP

A statement made by Robert D. Hormats, Assistant Secretary of State, Economic and Business Affairs, before the Subcommittee on International Economic Policy of the Committee on Foreign Relations of the U.S. Senate, expressed U.S. concerns with Canadian restrictive and discriminatory policies regarding foreign investment.

The March 10 statement commended recent collaboration between Canada and the U.S. regarding environmental issues, defence ties, fisheries and the Alaskan Gas Pipeline. Hormats expressed the view that aspects of the National Energy Program (NEP) and the Foreign Investment Review Agency (FIRA) represent a harmful and unfair departure from this cooperative approach. He hopes that Canada's National Mineral Policy will not have similar implications for U.S. interests.

Hormats stressed that the major problem perceived is not with the existence of NEP or the FIRA, but with certain provisions and screening criteria.

He stated that the U.S. has taken its views on FIRA to the General Agreement on Tariffs and Trade (GATT), and has presented its case regarding the NEP to the OECD Committee on International Enterprises CIME and the International Energy Agency. Hormats views such measures as unfortunately necessary and expresses preference for increased bilateral communication in the formation of future policies having a potentially harmful impact on U.S. investments in Canada.

Later in March several bills before Congress calling for more Presidential power under the Trade Act to retaliate against countries that do not provide reciprocal market access were opposed by Trade Representative William Brock. (*Globe and Mail*, March 25) Brock's remarks were the first comments by the Administration regarding the bills, some of which are aimed directly at Canada's nationalistic legislation.

NEP and Oil Interests

The powers that the National Energy Program (NEP) is expected to give to Canadian oil companies to "squeeze out" U.S. interests were detailed in the *Globe and Mail*