

Bilateral Matters

The Automotive Products Agreement

A number of you no doubt are associated with companies which have an interest in the current negotiations with the United States on the Auto Products Agreement.

This Agreement, as you well know, is a limited free-trade arrangement with the United States. As provided in the terms of the Agreement, we started a joint review last autumn at the request of the United States. These consultations are continuing with the U.S. Government, as well as with Canadian industry, labour and other unilateral groups. Our discussions are concerned not only with the various problems which have arisen over the six years of the Pact but also with a number of changes and improvements which have been suggested by both countries. These talks are continuing and I look forward to a constructive outcome.

Petroleum

Petroleum plays an important role in Canada's foreign trade. Last year, petroleum (crude and products) worth \$570 million was exported to the U.S. from the Western provinces. This trade makes a significant contribution to the health of Canada's balance of payments and is essential to the prosperity of the Western provinces.

In recent months, circumstances have been transformed by a number of major developments. These have presented serious short-term problems of adjustment but hold the promise of important benefits in the future. There was, for example, the major oil-strike in northern Alaska. As the press has extensively reported, this new discovery led to the trial voyages of the super-tanker *Manhattan* through the Northwest Passage to test this route as a new means of shipping northern resources to Eastern markets. Another possibility being considered is a pipeline across Canada along the Mackenzie River route. The Alaskan discovery also suggests excellent prospects for oil explorations now under way in the Canadian Arctic, and, as a matter of fact, indications to that effect already exist. The latter would also benefit from the establishment of these new transportation routes.

Meanwhile, the Canadian and the American Governments have been deeply engaged in comprehensive reviews of their respective oil policies, including our cross-border trade in petroleum. Although a report on proposed new U.S. policies has been published, it will be some time before any final decisions can be reached by either government, owing to the great uncertainties enshrouding the North American oil perspective. President Nixon has proposed discussion on the possibility of moving toward freer access for Canadian exports of petroleum and possibly other energy commodities to U.S. markets. Such arrangements could, in my view, be beneficial for both countries.

However, as an immediate measure, the President recently introduced a system of mandatory restrictions on imports of Canadian crude oil into the bulk of the U.S. market. This clashes with the unrestricted access Canadian