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# Bilateral Relations

## U.S.A.

### Interest Rates

High interest rates in the US were held responsible for much of Canada's ailing economy by the government this spring, with direct criticism of US economic policy increasing until early June. The government repeatedly told the House of Commons that unless there was some easement in US interest rates, recovery of the Canadian economy, including a reduction of interest rates, unemployment, and inflation, would be limited.

A strong representation was made by Prime Minister Pierre Trudeau about this concern at the Versailles economic summit, held from June 4 to 6. Although the final communiqué pledged the seven attending nations to "pursue prudent monetary policies and achieve greater control of budgetary deficits," Mr. Trudeau was disappointed that no real commitment had emerged regarding US interest rates. (See this issue, MULTILATERAL — Versailles Economic Summit.)

Following the summit, External Affairs Minister Mark MacGuigan met with senior Reagan administration officials in Washington. The June 11 visit was to discuss "unfinished business" from Versailles. Mr. MacGuigan explained, "We didn't get the kind of assurances from the US (at the Summit) that we would have wished" (*The Citizen*, June 12).

### Law of the Sea Treaty

Canada expressed concern in early July over signs that the Reagan administration would reject the UN Law of the Sea Treaty, and publicly expressed "profound disappointment" with the US after its decision not to sign the Treaty was announced July 9. The Treaty, supported by Canada and 129 other nations, provides for a 12-mile territorial sea limit, regulation of shipping lanes, scientific exploration, fisheries, free navigation for navies and the creation of a 200-mile economic zone for coastal nations. The provisions the US objected strongly to were those which establish limits on seabed mining of nickel, cobalt,

copper and manganese (See "International Canada", April and May, 1982 in *International Perspectives*, July/August, 1982). US President Reagan had called these provisions unfair to American companies which wish to have unrestricted access to the minerals. In part, Canada supported the provisions because they protect nickel mining in Canada. The Law of the Sea Treaty was endorsed by a vote of 130 to 4, with 17 countries abstaining, on April 30, 1982 after nine years of intensive negotiations (*The Citizen*, July 9 and 14).

The US had voted against the treaty at the time, but supporting countries had hoped to reach an agreement or compromise with "the world's greatest economic, military and political power" before the treaty is signed in December. Canada had been trying to convince the US administration to reconsider its position (*The Citizen*, July 9 and 14).

The Canadian ambassador to the US, Allan Gottlieb, and other Canadian officials, had met with US State Department officials before the announcement. They told acting Secretary of State Walter J. Stoessel that a US rejection would hamper the treaty's legitimacy and prospects for universal acceptance. Canada had asked the US for "sensible suggestions that would not undermine the basis of negotiation," but the request was ignored, a Canadian official told reporters (*The Citizen*, July 14).

MP Donald W. Munro (PC, Esquimalt-Saanich) questioned External Affairs Minister Mark MacGuigan on July 14 about the impact of the US rejection on Canadian concerns. Mr. MacGuigan said that Canada would continue with its intention to make the treaty as universal as possible. It was too soon to estimate the possible effect on the Canadian mining industry, Mr. MacGuigan said, adding that the US decision was a "retrogressive step." He also told the Commons that he thought that, "there will be no adverse effect to our claims under the treaty, assuming that the treaty goes into effect, and that we are signatories to it, which I fully expect we will be. The question is whether the United States would be able to make similar plans, whether it could be successfully argued that the provisions