

Chapter 4

CANADA'S REGIONAL INTERESTS

The United States

The relationship between Canada and the United States influences virtually all aspects of the economic, political, social and cultural life of Canada. This has been recognized in the formulation of Canada's foreign policy goals, including those designed to advance economic renewal and the creation of employment. The approach adopted emphasizes a refurbished bilateral relationship with coherent, co-ordinated and co-operative efforts to resolve common problems.

The government's strategy is based on the belief that Canadians have the maturity and self-confidence needed for a closer economic and trade 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 and by bringing new investment to stimulate growth and create jobs. The government also seeks to foster increased co-operation in responding to common problems such as the protection of the environment.

The most visible feature in the management of the Canada-US relationship is the annual Summit between the Prime Minister and the President of the United States, a process aimed at bringing senior decision-makers in both countries to focus regularly and with particular intensity on the state of the relationship. The Summits highlight differences but also encourage their resolution as both sides strive to ensure a successful outcome.

Preparations were well underway by the end of the year under review for the third full Summit between Prime Minister Mulroney and President Reagan to be held in Ottawa on April 5-6, 1987. (The first two were held in March 1985 in Quebec City and in March 1986 in Washington). It was anticipated that the free trade negotiations, acid rain and Arctic sovereignty would be high on an agenda which could cover a wide range of issues of importance to both countries. The meeting was seen as an opportunity for a friendly and open dialogue to consolidate and make incremental progress on a number of issues.

Quarterly meetings between the Secretary of State for External Affairs and the US Secretary of State also serve to ensure regular ministerial focus in both governments on the state of the relationship. In addition, US Vice President Bush visited Canada on two occasions during the period under review for discussions on the Canada-US relationship and there were numerous visits in both directions by members of the Canadian and American cabinets.

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

and the 12 consulates general and consulates 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, contributes to ensuring that Canada's position on issues is presented in an effective and timely manner.

Free trade negotiations and bilateral trade

The opening of free trade negotiations was the single most important development in a year characterized by trade issues. The negotiations will have to be concluded by October 1987 if they are to meet the "fast-track" timetable for submission to Congress imposed by US legislation. Exploratory discussions were held during the summer of 1986 between the negotiating teams, led respectively by Ambassador Simon Reisman for Canada and Ambassador Peter Murphy for the United States. Substantive negotiations began in October 1986, with specialized joint working groups concentrating on specific issues.

Support for the free trade initiative in the United States was evident during the December 1986 visit to Ottawa of the Chairman of the Senate Finance Committee, Senator Lloyd Bentsen, and three of his Finance Committee colleagues, as well as in the visit of Vice President Bush and Treasury Secretary Baker in January 1987.

Opinion in Canada continued to be favourable toward an agreement. On March 16, 1987, a motion was introduced in the House of Commons stating that "this House supports the negotiation of a bilateral trading arrangement with the United States, as part of the government's multilateral trade policy, while protecting our political sovereignty, social programs, agricultural marketing systems, the auto industry and our unique cultural identity." After full debate, the motion was passed by a vote of 160 to 58.

As part of the negotiating process, regular consultations have taken place with the provinces both at ministerial and official levels, and with private industry and labour through an extensive network of sectoral advisory groups and the International Trade Advisory Committee.

The commitment of both governments to the successful conclusion of the free trade negotiations reflects the fact that Canada and the United States are partners in the largest bilateral trade and economic relationship between any two countries in the world. Canadian merchandise exports to the United States increased in 1986 by 1.5 per cent to \$95.7 billion. This total accounted for about 78 per cent of total Canadian exports and approximately two million jobs. Imports from the United States increased by