

Factors which will condition Canada-US trade in the first half of the 1980s include:

- the relationship with the USA is basic to building up relationships with others. If we are seriously at odds with the USA, it will be difficult to build with others;
- the implementation of the Tokyo Round results through to 1987 and the need to monitor full implementation and assist Canadian business to take full advantage of them;
- the preponderance of Canadian exports will be entering the USA duty-free, meeting a long-standing need of Canadian industry for free access to a large market; however, for certain resource-based products and a range of high-technology goods the US tariff remains a significant barrier to increasing Canadian exports; some of these barriers can be addressed through sectoral free-trade arrangements;
- the existence of extensive non-tariff measures agreements provides a framework to deal with problems arising from the implementation of the US system of contingency protection;
- shared goals and objectives of strengthening the open multilateral trade and payments system, will add to the ability to resolve bilateral problems;
- any advantages reached through further GATT negotiations (e.g., on Government Procurement, the Aircraft Agreement) will have the greatest dividends in the context of trade with the United States;
- effective management of Canada-US trade relations, particularly the impact of various policy decisions on each others' interests (e.g., investment and extra-territoriality), will be crucial to Canadian trade objectives;
- the competitive challenges facing the automotive industries in both the USA and Canada will continue to be a centre-piece in the bilateral relationship, and the future of Canadian industry will remain closely tied to developments internationally; and
- Canada-US trade will continue to enjoy the advantages of *inter alia* similar business practices, transportation, and corporate connections; and the relative importance of Canada-US trade (65-70 percent throughout the 1970s) is unlikely to change in the 1980s.

The task of managing the relationship smoothly is, of course, made more complex as the more aggressive pursuit by the USA of its interests clashes with the interests of its trading partners. Canada, for its part, has been and will continue to be preoccupied with regional and industrial development and with questions of foreign investment/ownership. The effect will be that ownership policies, subsidies, regional development programmes, investment incentives, duty remissions, offsets, export financing, and other trade-related measures will be factors in Canada-US trade relations, as will similar programmes and policies in the USA. More than ever, in an interdependent world, Canadian policies will need to be framed against the background of the likely foreign, particularly US, reaction.