

LIBRARY E A / BIBLIOTHÈQUE A E



3 5036 01031473 3

Volume 17 Number 2 1986

Canada Today/d'aujourd'hui

CAL
EA980
C17
v.17 #2-1986
DOCS_c.1

SUMMIT '86

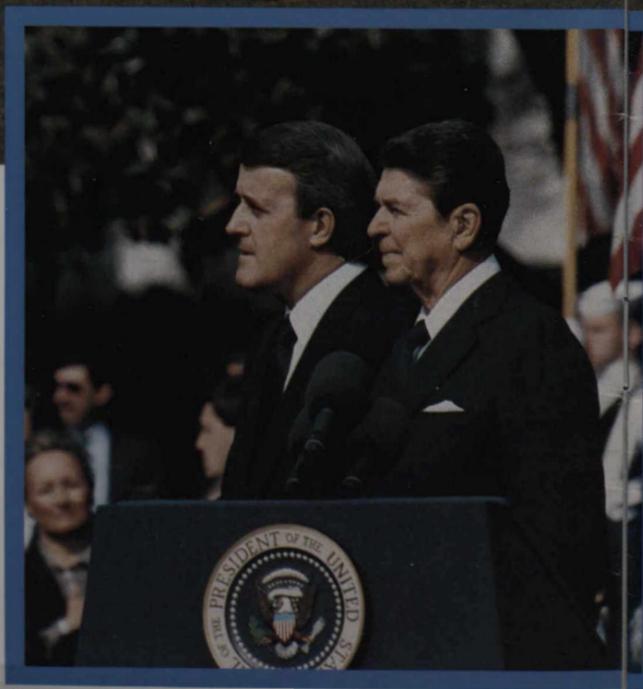
LATEST ISSUE
DERNIER
NUMERO





THE SUMMIT 1986

ON MARCH 18 and 19 President Ronald Reagan and Prime Minister Brian Mulroney met in Washington for their second annual summit. The first was held last year in Quebec City on St. Patrick's Day and called the Shamrock Summit. It was remarkably productive. The principals had much more in common than their Irish ancestry. They put in train important new



Alan Hagman, The White House

initiatives in defence, trade and the environment and invested the historic friendship of the United States and Canada with new vigour.

They also agreed to meet at least once a year, a unique commitment by both.

This year's summit focused on three specific issues: the search for solutions to a common problem, acid rain; the exploration of a major realignment and enhancement of trade; and the continuation of the mutual defence treaty, NORAD.

In this issue of *Canada Today/d'aujourd'hui* we report on the activities and accomplishments.



Bill Fitzpatrick, The White House

TUESDAY

HIGH ALTITUDE meetings in Geneva can be as cool as a climb up the face of an Alp. This spring's Canadian-United States summit in Washington was as warm as a stroll along the crest of a Blue Ridge Mountain.

It began early on March 18, under a brilliant blue sky, with Prime Minister and Mrs. Mulroney and President and Mrs. Reagan up on a platform on the big back lawn of the White House, shaking hands and calling each other by their first names.

Hundreds of men, women and children waved small maple leaf flags, and American soldiers, sailors, marines and coast-guardsmen carrying state, provincial and national flags stood in a line across the vast green lawn. Up above the tops of the magnolia trees, on the White House's second-storey balcony, trumpeters blared, and down on the grass guns boomed and bands played the national anthems.

"Bienvenue à Washington," the President

said to the Mulroneys before touching lightly on the three points up for consideration.

"Our citizens have grown to expect positive results," he said.

Prime Minister Mulroney recalled that he had made his first official trip to Washington a few days after he had taken office, and he and President Reagan had then agreed to meet annually.

"So we met one year ago yesterday, on a cold day in Quebec City. You wore a green tie—and we launched a new era in our relations."



Andrew Clark, Prime Minister's Office

The four principals then sat down while the bands played and the cannons boomed, a development that excited ABC correspondent Sam Donaldson, who said the President and other visiting heads of government had always remained standing from the beginning of the opening ceremonies to the end. *The Washington Post* reported the next day that he was right—the chairs were for the convenience of the Prime Minister who had a minor infection of the inner ear.



Andrew Clark, Prime Minister's Office

The Oval Office

Summit meetings consist of days and nights of tightly scheduled official occasions, most public, a very few private. After the gala on the lawn the President and the Prime Minister went to the Oval Office for a meeting as private as possible with officials from

both countries, Secret Servicemen and a pool of twenty-five cameramen trooping in and out.

The meeting lasted an hour. A White House spokesperson then told the seventy other members of the press, who had been waiting down the hall, what had happened.

The principals met (she said) first in a purely private session, then in one that included top advisors, and they talked about Arctic sovereignty (on which they stated their divergent positions), NORAD, acid rain, trade and space.

The President, she said, had expressed his appreciation for Canada's support of the United States' efforts to control terrorism and to deal effectively with Libya. The Prime Minister told the President that Canada would contribute to the U.S. space station program, by building an \$800-million mobile servicing centre.

She said both the President and the Prime Minister felt progress had been made on trade discussions and more could be expected.

She said there would be an announcement on acid rain the next day that would deal with the joint report of the special envoys on acid rain, William Davis, former Premier of Ontario, and Drew Lewis, former U.S. Secretary of Transportation, who had studied the subject exhaustively. They concluded that acid rain has serious effects in both countries, and they recommended that the U.S. government and industry carry out a \$5-billion program to develop cost-effective controls. Canadian proponents of the report had expressed hope that the President would give it his unqualified endorsement.

Andrew Clark, Prime Minister's Office



Bill Fitzpatrick, The White House

Good Afternoon

The Prime Minister lunched at the State Department with Secretary of State George Shultz, exchanging toasts which were relayed to the members of the press outside in the lobby. Toasts at international lunches tend to run beyond the familiar "bottoms up" or "à votre santé."

The Secretary said:

"Most of the Canada-U.S. relationship—the constant movement of ideas, goods, capital and people back and forth across the border—is easy, natural and trouble-free. With a friendship of such

scope and complexity, differences inevitably arise. And that's often where our two governments come in. We have to do something about them. For instance, last year in Quebec City, you, Mr. Prime Minister, and the President each selected a special envoy to examine our common acid rain problem. They have produced a balanced report which has focused our attention most constructively . . . and we will continue to search for ways in which we can cooperate over the environmental affairs that transcend our borders . . .

Andrew Clark, Prime Minister's Office



"Finally, we have a long history of partnership in protecting our mutual security. Today that partnership is projected abroad as we join together to confront the threat posed by terrorists and their supporters . . . Mr. Prime Minister, we were truly heartened by your eloquent words this past January when you said, 'Those who murder and maim innocent people, those who bring anarchy to civilized society, can have no sanctuary, no comfort, no indulgence.' And . . . you backed your words with specific actions to make it clear that Libyan support for terrorism would not go unanswered and Canada would not continue doing business as usual with an international outlaw."

The Prime Minister replied:

"We are inheritors of the vision of the new world, protectors of its faith in equality, guardians of its promise of opportunity. We share a joint commitment to liberty. No one has ever had to build a wall around the United States or Canada to keep people in."

Fish and Lumber on Capitol Hill

After lunch Mr. Mulroney met with the Senate Foreign Relations Committee in the Franklin Room on the ground floor of the Senate wing of the Capitol.

The Capitol's painted walls and ceilings are perfectly preserved examples of the high tide of American rococo, with medallion portraits engulfed by vivid, multi-coloured, opulent, intricate, symmetrical, interlocking designs as involved as 10th-century Celtic illuminated manuscripts. They furnished a strikingly contrasting background for the blinding lights and the utilitarian instruments of the attending TV camera crews.

The meeting lasted an hour and the Prime Minister emerged, beaming, followed by Senators Pell (Democrat of Rhode Island), Evans (Republican of Washington), and Lugar (Republican of Indiana).

Each plays a key role in international trade relations. Senator Lugar is chairman of the Foreign Relations Committee, Senator Pell is particularly concerned with fish, and Senator Evans with lumber.

Canadian-United States trade, the largest in the world, involves an exchange of some (U.S.) \$116 billion a year. Irritants (as Secretary Shultz had pointed out) are inevitable, and fish and lumber are among the current ones.



Pete Souza, The White House

The fishermen of New England and Canada's Atlantic provinces compete for the same markets. Canada has many fishermen and far fewer domestic customers, and in 1985 it exported around \$1 billion worth of fish to the U.S., of which some \$100 million was in fresh groundfish. American fishing interests have charged that exports of groundfish have been subsidized by the government.

The lumber dispute has a similar basis. Canada has vast forests and a relatively small population, and exports of lumber are a considerable part of the national product. Canadian lumber, generally speaking, costs less than the similar species produced in the U.S., and this has generated efforts by the American industry to limit the size of the

imports by quota or by the imposition of duties.

It seemed a shining omen after the meeting when Senators Pell and Evans announced their support for broad-term trade negotiations, with no strings attached.

Senator Evans said he was "anxious that trade negotiations not be encumbered by present irritants."

(The glow of harmony would prove to be a silver lining attached to a considerable cloud. Twelve members of the Senate Finance Committee would later cite their concern with specific trade problems and ask President Reagan to withdraw his initiative for full-scale negotiations to begin this spring.)



Pete Souza, The White House

It seemed that the "fast track" process for the trade negotiations was about to be derailed. The twelve in opposition were moved by various reasons. Some wanted to stall the negotiations indefinitely unless the lumber dispute was first resolved. Many, however, wished only to make it clear to the White House that the Senate intended to play a more substantial role in all matters involving trade.

The Committee chairman, Bob Packwood, of Oregon, made that clear.

"There's no animosity about Canada at all. Canada is the unfortunate victim in a dis-

pute over trade views, all of which are unrelated to Canada."

The impasse was broken late on the afternoon of April 23, hours before the deadline for action, when Sen. Spark Matsunaga, of Hawaii, switched his position and supported the President.

The vote was a tie, ten to ten. It would have taken a negative majority to stop the machinery. The negotiations themselves, of course, still have a long way to go.)

The Prime Minister, however, found other signs of harmony. Senator Kassenbaum, of Kansas, wondered if the United

States and Canada might not get together to improve international market prospects for the wheat farmers in both countries. Senator Moynihan of New York said he hoped that the President would give the special envoys' report on acid rain his unqualified support, and Senator Terry, of Massachusetts, asked the Prime Minister to "continue to keep the heat on acid rain."

Bach, Tulips and Angel Hair Pasta

At 7:45 p.m. President and Mrs. Reagan came down the brilliantly lit front steps of the White House to greet the Prime Minister and Mila as they stepped out of their limousine.

Nancy wore a glittering gown of bronze and gold, Mila one of glowing purple, and the men were wearing tuxedos of unexceptional cut. Designer Mollie Parnis, one of the guests at the dinner, said that long gowns were just right. "I think the White House is one of the few places left in our world where floor-length gowns work. I don't really know people who wear them long. At the White House or at weddings it's O.K."

Opening the United States-Canadian borders will dramatically expand American exports, thereby creating thousands of new jobs. Failure to initiate these negotiations would adversely color the tone of our political and economic relationships with Canada for many years to come. Allowing such an opportunity to pass could jeopardize progress in liberalizing the U.S.-Canadian trading relationship Canada has been very supportive of U.S. international initiatives, particularly in combatting terrorism and maintaining a solid unity on major East-West and arms control issues.

PRESIDENT REAGAN

in a letter to the members of the Senate Finance Committee.

The attending press, following instructions, wore either black ties or long skirts. Given the choice, two young women reporters were wearing tuxedos.

One woman in a long red dress, standing high on the photographers' platform facing the steps, yelled, "How about acid rain?" It was the kind of question which some reporters shout and which the President never answers.

Mulroney would later sidestep the question more diplomatically. When asked about acid rain by a French-speaking reporter, he replied: "Non, non, non, c'est pour demain. Chaque chose en son temps."

It was a beautiful night. Harp and string music floated out of the open front doors. The Reagans escorted the Mulroneys to their private quarters for a chat and then down the Grand Staircase. They mingled with the guests, including Chicago Bears running back Walter Payton, who bumped into the President and apologized. "I'm so star-struck with all these people," he said.

The Reagans, the Mulroneys and Mr. Payton all seemed to be having a wonderful time.

The dinner guests included their Royal Highnesses Prince Karim Aga Khan and Princess Salimah Aga Khan, Dr. Giovanni Agnelli and Donna Marella Agnelli, Mr. and Mrs. William F. Buckley, Jr., Chief Justice and Mrs. Warren Burger, Mr. and Mrs. Paul Desmarais, Senator and Mrs. Jake Garn, Mr. and Mrs. Frank Gifford, Cynthia Gregory, Mr. and Mrs. Christopher Plummer, and some forty others.

They sat at small tables adorned with pink tulips, ate Angel Hair Pasta with Seafood and Romano Cheese Sauce, Supreme of Chicken Vol-au-Vent and Pistachio Marquise, and drank Sonoma-Cutrer Chardonnay, Leardini Pinot Noir and Schramsberg Crémant Demi-Sec. Later on, pianist Rosalyn Tureck played Capriccio "On the Departure of a Beloved Brother" in B Major and two other pieces by Bach.



Andrew Clark, Prime Minister's Office



Andrew Clark, Prime Minister's Office

Andrew Clark, Prime Minister's Office



WEDNESDAY

Breakfast with Bush

AT 7:30 A.M. the Prime Minister arrived at the handsome official home of Vice President Bush, high on a hill on the grounds of the Naval Observatory.

The feeding schedules of participants in international meetings are as rigid as those for babies of up-to-date mothers were in 1935. There is also a certain overlap among table companions. The Prime Minister and Vice President would meet for breakfast in the morning and again for dinner in the evening at the Canadian Ambassador's residence.

After breakfast Mr. Mulroney went off to Capitol Hill for an hour-long meeting with the House Leadership and members of the House Foreign Affairs Committee. He and Speaker of the House Tip O'Neill exchanged a few Irish jokes and the Speaker told the Prime Minister he had an open invitation to address a joint session of Congress.

An Agreeable Lunch

The President and the Prime Minister had lunch together and then announced two significant points of agreement.

They signed a five-year extension of the North American Aerospace Defence Com-



Andrew Clark, Prime Minister's Office



mand and the President fully endorsed the report on acid rain made by Mr. Lewis, his representative, and Mr. Davis, the Prime Minister's.

The President said he wished that was the end of the problem but acknowledged it was not.

"Serious scientific and economic problems remain to be solved. But in the spirit of cooperation and goodwill which has come to characterize the way Canadians and Americans approach their common problems, I am confident we have begun a process which

will benefit future generations in both our great countries."

Arlington

In the afternoon the Prime Minister placed wreaths at the Tomb of the Unknown Soldier and at the Canadian Cross in Arlington National Cemetery. The Cross, the only foreign monument in the cemetery, was erected by the Canadian government in 1926 to honour the Americans who were killed while serving in the Canadian Expeditionary Forces in World War I. Inscriptions were

added later honouring Americans who died while serving in the Canadian Forces in World War II and Korea. Mr. Mulroney was the first Canadian Prime Minister to visit the memorial.

More than 35,000 Americans fought in the Canadian Forces during World War I and 30,000 during World War II. More than 900 died in World War II, most

of them from the Royal Canadian Air Force.

A cannon salute was fired, American and Canadian colour guards presented their flags and a band played both national anthems. After the wreaths were placed, a drummer sounded four muffled ruffles and a bugler played taps.

Press Conference

At four p.m. the Prime Minister held a press conference in Ballroom C at the Vista Hotel. It was attended by some 200 press people, some who spoke French, some English and some both. Mr. Mulroney moved from French to English and back again. Half of the places were equipped with earphones carrying instant two-way translations.

The Prime Minister reported "substantial progress on all accounts," cited the highlights of the summit and answered questions.

(On Acid Rain)

"We've obtained a full endorsement by the President of the report of our two personal envoys, Messrs. (William) Davis and (Drew) Lewis. This represents a real commitment . . . on an issue which has bedevilled our relationship . . . (The President) has given a full

BACKGROUND: NORAD

Canadian-American defence cooperation began when Prime Minister William Lyon Mackenzie King and President Franklin Delano Roosevelt met almost casually at Ogdensburg, N.Y., in 1940 and set up the Permanent Joint Board on Defence, a civilian-military group.

After World War II the emphasis shifted to the defence of North America against bombers approaching from the north. The Pine Tree radar line was formed just above the border and Canada set up its own line along the 55th parallel. In

1957 the United States added the Distant Early Warning (DEW) line across the edge of the Arctic. (At last year's summit meeting a decision was made to update the DEW line.)

The North American Air Defence Command, a fully integrated joint operation for the defence of the continent, was formed by Canada and the United States in 1958. It has been renewed at regular intervals and at this year's summit the President and Prime Minister extended it for another five years.

and unequivocal endorsement (of) . . . a specific document (which) . . . says exactly what must be done . . . (in terms of) specific dollars.

“Ce que je veux, c’est l’élimination du problème et je veux que l’on affecte également les fonds nécessaires au projet pour y parvenir. Je prends pour acquis que cet engagement sera respecté intégralement par l’administration et le Congrès américain. J’ai la certitude de l’affirmation du Président des Etats-Unis, l’engagement de toute son administration et le leadership du Congrès.

“I recognize that (the President will) have to approach it . . . in a manner he

deems appropriate but his obligations are undiminished The report recommends a major departure in two areas: (There) is a first-time recognition of the transboundary nature of the overwhelming problem . . . and there is this formal undertaking to seek appropriate funding from Congress

“This is a Canadian and an American problem I looked back five years at what had been accomplished and the answer was nothing. And I looked back another five years and the answer was nothing, that I could see, of substance. So the first thing we did was begin the process of cleaning up our own act in Canada and . . . we began seeking for

the first time . . . the acknowledgment (by the United States) of the transboundary nature of this problem I view the President’s statement as new and very significant I (also) met with . . . the Senate leadership and with the Speaker of the House and (with) committee chairmen . . . you will find support, I believe, in the House and in the Senate, for environmental legislation being brought forward by the Administration. I think the priorities of Congress have shifted here as they have elsewhere, in Canada too. People are saying we cannot leave this kind of legacy to our children and we’re going to do something about it.

BACKGROUND: ACID RAIN

Acid rain falls on the just and the unjust alike.

Rain is naturally acid but this slight acidity does no harm. In recent decades an unnatural, man-made increase has polluted rain, snow and airborne dust and damaged lakes, streams, forests, monuments and buildings.

The problem has become widespread in the last thirty years. Thousands of lakes in both countries have been rendered lifeless because of acidic precipitation.

A report published last October by an ad hoc committee of six scientists formed in Milbrook, N.Y., in September, 1984, drew on six earlier reports issued by the U.S.

The scientists agreed on four basics:

- 1) Man-made emissions of SO₂ and NO_x account for over 90 per cent of the acidic atmospheric pollution. Sulfur compounds from industrial and utility smokestacks account for two-thirds of this total, nitrogen compounds from automobile exhausts for the rest.
- 2) Acidity in rain, snow, fog and dry particles is often transported hundreds of miles by the wind and falls far from the points of origin.
- 3) The falling particles acidify streams, lakes and soils, affect animal life and reduce the number of species of fish and insects.
- 4) Significant reductions of SO₂ emissions will reduce sulfur deposition over the region to an equiva-

lent degree and reduce or eliminate the destruction of life.

A Comprehensive Report

A few days before the Reagan-Mulroney summit the National Academy of Sciences issued “the most comprehensive” report to date on the causes of lake acidification.

The report, three years in the making, reached the careful conclusion that “sulfur emissions and acid rain do appear to have caused acidification of many lakes in the northeastern United States,” and this has caused declines in fish populations.

The report used records compiled over the last century to demonstrate that the burning of gasoline, coal and other fossil fuels has had severely adverse effects on lakes, though they have not been uniform and some lakes have suffered much greater damage than others in the same area.

James H. Gibson, of Colorado State University, who headed the research team, said “The connection between acid rain and environmental damage is real but it is more variable and complex than many people have supposed.”

The Effects on Lakes and Streams

Tens of thousands of lakes and streams in North America have

been damaged by acid precipitation.

Not all lakes are vulnerable. In some regions the limestone helps neutralize the acid and large, deep lakes have a greater “flushing capacity,” but shallower lakes in hard rock regions have no effective defence.

A 1982 survey by the U.S. Congressional Office of Technology Assessment, of 9,400 lakes in twenty-three states in the eastern half of the United States, found that half had been adversely affected or were “seriously at risk.” Of 117,000 miles of streams,

some 23,000 miles were classified as “acid-altered” and 37,000 miles as “seriously at risk.”

The New York Department of Environmental Conservation found 180 lakes in the Adirondack Mountains to have lost all aquatic life and 330 others on the verge of losing theirs. In eastern Canada some 20,000 square miles of surface water are receiving excessive amounts of acid rain, and in Ontario alone some 48,000 lakes could face life extermination in twenty years if SO₂ emissions are not curtailed.

Sensitive Areas

The sections marked in red are low in natural buffers and particularly sensitive to acidic precipitation.



(Trade)

"In the last three years, U.S. exports to Canada have increased by more than 40 per cent, whereas to the rest of the OECD, U.S. exports have actually declined. In our judgment there is plenty of potential for much more growth. Neither side wants to be diverted from a brand new look at trading arrangements by irritants of the day.

(NORAD)

"Earlier today the President and I signed a five-year extension of the NORAD Treaty, which continues as the cornerstone of our joint commitment to the

defence of North America. Symbolic of this unique treaty is the fact that while the Commander of NORAD was here for the signing ceremony, his deputy, General MacKenzie of Canada, was in command at Colorado Springs.

(Miscellaneous Items)

"We discussed a full range of other international issues: efforts to counter terrorism; our interest in becoming a member of the expanded G-5; regional issues such as Central America, South Africa and the Philippines; and prospects for a new MTN round and plans for the Tokyo Summit.

(Festival of Canada)

"I was also pleased to inform the President that Canada intends to mount a very important and, I think, attractive festival of Canada, featuring the best of Canadian cultural and artistic talent. We will bring it to the United States and the festival will be held in 1988 to coincide with the opening of the new Canadian Embassy here in Washington."

Working Toward a Bilateral Solution

Canada and the United States agreed in 1980 to negotiate an air pollution agreement.

The Memorandum of Intent put a specific emphasis on acid rain.

In January, 1984, Canada proposed but the United States rejected the formation of a joint control program.

Last March Prime Minister Mulroney and President Reagan agreed to appoint personal envoys to study the question. The same month Canada committed itself to a reduction of emissions within its borders of 50 per cent by 1994.

Early this year the two envoys, Drew Lewis, former U.S. Secretary of Transportation, and William Davis, former Premier of Ontario, recommended that the United States spend \$1 billion a year until 1990, to develop the technology to clean industrial and utility company emissions. The \$5-billion cost would be split between the U.S. government and the owners of the polluting industries and utilities.

When President Reagan formally endorsed the report at the summit meeting, the focus shifted to specific methods to reduce acid emissions.

The key to the report is its emphasis on the need for a practical, cost-effective solution that will enlist the support of the industries, utilities and coal producers.

The Congressional response has been positive. Senate Minority

Leader Robert Byrd, of West Virginia, called the report "right on target" and said it addressed the problem "without imposing costly regulations on industry . . . that may or may not work."

The House of Representatives is considering a control bill that has, for the first time, broad bipartisan and regional support.

Canadian Controls

In 1970 Canada and the United States passed Clean Air Acts, and reduced local air pollution significantly. The acts were not designed to control long-range pollution, however, and tall smokestacks built to clear the local air had the unfortunate side effect of spreading emissions over a wide area. The acid rain problem grew worse.

In the spring of 1984 Canada's federal and provincial governments agreed to cut general emissions of SO₂ in half in ten years, and in 1985 the provinces set specific goals. The program will cut annual SO₂ deposits to no more than eighteen pounds per acre, the most that moderately sensitive aquatic systems can tolerate. It also imposes stringent new limits on automobile emissions of nitrogen oxide and carbon monoxide.

Since more than half the SO₂ pollution that falls on Canada comes from sources in the United States, the Canadian control program will not achieve the planned reductions unless U.S. emissions are also cut significantly. The program is expected to reduce

acid rain deposits by 10 per cent in the Adirondacks and 17 per cent in northern New England.

It allows considerable flexibility in selecting methods to reduce emissions. Federal matching grants of up to \$150 million are available to provinces for smelter modernization and other control technology. The plan is expected to cost a total of (Cdn) \$1 billion to \$1.5 billion.

Canadian Sources

Plants in Quebec and Ontario produce almost 75 per cent of SO₂ emissions in eastern Canada.

Ontario, which had cut its emissions to 2,198 thousand metric tons in 1980, will cut them to 885 kilotons by 1994.

International Nickel, in Sudbury, the largest nickel and copper production facility in the free world, cut emissions by 59 per cent between 1970 and 1980, the greatest single reduction in North America. The new program will cut them to 265 kilotons by 1994.

Ontario Hydro, Canada's largest utility, will cut the annual emissions of its coal-fired plants to 260 kilotons by 1990 and to 175 by 1994.

Quebec's control plan will cut overall SO₂ emissions 45 per cent by 1990. The Noranda Mines copper smelter, the fourth largest in the free world, must reduce its emissions by 40 per cent.

The State of the Corrective Art

Sulfur-dioxide emissions can be

greatly reduced in a variety of ways.

(Before combustion)

The burning of fuels that are low in sulfur is the most direct way to avoid smokestack pollution. Some coals are naturally low in sulfur, some are high. The choice of fuel by utilities and other industrial users is influenced by cost and by employment considerations. Areas producing high-sulfur coal have opposed the passage of laws requiring users to switch from high to low.

Pollution could be reduced by the use of a blend of high- and low-sulfur coals, but this partial solution has not been backed with enthusiasm by groups on either side of the confrontation.

Coal can be crushed and washed to remove sulfur and other impurities and the sulfur content can also be dissolved with chemicals.

Oil with a high sulfur content can be desulfurized by a process adding hydrogen during refining.

(During)

Coal can also be cleansed while being burned. Fluidized bed combustion mixes finely ground limestone with the coal, burning it in suspension. Finely ground limestone can also be injected into special, multi-stage burners.

(After)

Sulfur dioxide can be removed from the flow gas after burning by scrubbing, that is, mixing a chemical absorbent such as lime or limestone with the gas.

THE REALITIES OF TRADE NEGOTIATIONS

74.5

Canada and the United States have the largest trade exchange in the world.

In 1985 it totalled some US \$150 billion in goods and services. Each country is the other's best customer. The trade, which was once heavily restricted, has grown progressively freer and enormously more profitable.

Both countries are signatories of the General Agreement on Tariffs and Trade (GATT).

Canada's agreement to reduce industrial tariffs in the Tokyo Round of negotiations concluded in 1979 was a major breakthrough. By 1987 about 80 per cent of Canada-U.S. trade will be tariff-free and another 15 per cent will be subject to tariffs of 5 per cent or less.

Both governments have pressed for a new round of GATT negotiations, but there seems to be little chance that one will be completed before 1990 and its implementation would take several years.

The GATT has contributed enormously to the growth of global trade, but it does not address a number of problems that require solutions.

It does not, for example, apply to the increasingly important trade in services, which include banking, insurance, entertainment and the hiring of experts, consultants and advisors.

The GATT also does not address the extensive use of non-tariff barriers, which have had significant negative effects on the flow of goods.

Finally, it does not provide a swift, sure means of resolving the trade disputes that inevitably occur.

A bilateral pact between Canada and the United States would be designed to take place within the GATT framework.

A special joint parliamentary committee on Canada's international relations concluded that such an agreement could "parallel and co-exist" with multilateral agreements and would not preclude other bilateral agreements that either country might wish to make.

Some Barriers

Tariffs: Many products are tariff-free. Negotiations would aim at eliminating all others.

Anti-Dumping Duties: Exports priced significantly below the domestic market are said to be dumped. Dumping often occurs in response to tariffs imposed by the importing country, and would be less frequent in a duty-free exchange. Negotiations would consider methods for dealing with dumped goods and for avoiding the exchange of goods dumped by third countries. One option might be the signing of a separate bilateral agreement, concerned with dumping only.

Subsidies and Countervailing Duties: Subsidized exports may do significant harm to competing industries in the importing country. The usual response is to impose a duty on the subsidized product. Clear definitions are needed.

The pact could be as inclusive in the area of trade as the two countries wished but it would not, in any case, involve either a common market (which would allow the free movement of labour and capital) or a customs union (which would have standardized barriers to external trade).

Any agreement would provide for enough time for trade adjustments and adaptations—including the phasing-in of changes in trade barriers—which in some cases might be as long as ten years.

Safeguards: Duties or quotas are sometimes imposed on fairly traded imports, causing serious injury to domestic industries. Some authorities believe they could be eliminated completely, others that they should be used in emergency situations.

Balance-of-Payment Restrictions: Temporary, across-the-board import restrictions or surcharges have been used to correct severe imbalances in international payments.

Government Procurement: Governments on various levels often give preferential treatment to domestic manufacturers.

The elimination of all such preferences would require the cooperation of all the governments.

Other Non-Tariff Measures: Variations in laws governing patents, copyrights and licenses sometimes inhibit trade.

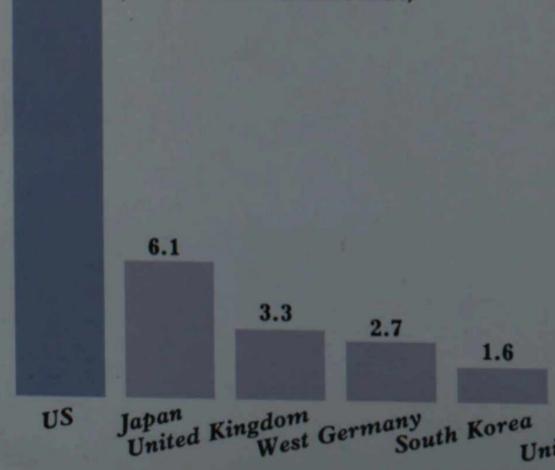


Andrew Clark, Prime Minister's Office



Andrew Clark, Prime Minister's Office

Canada's Top Sources of Imports in 1985
(In billions of Canadian dollars)



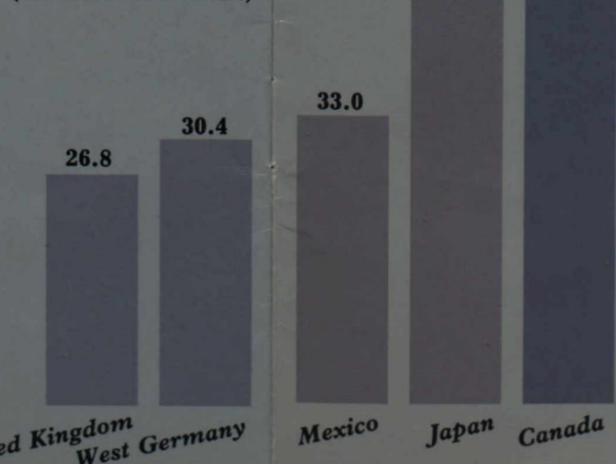
Source: Statistics Canada

United States' Top Export Markets in 1985
(In billions of US dollars)



Source: U.S. Department of Commerce

United States' Most Important Trade Relationships in 1985
(In billions of US dollars)



Source: U.S. Department of Commerce

A Gala in a Tent

The last ceremonial gala took place in a huge tent at the Canadian Ambassador's residence overlooking Rock Creek Park. Prime Minister Mulroney was the host, Vice President Bush the guest of honour.

A rainstorm had been forecast but none came. The night was warm, the moon was bright, the guests were glamorous and the menu strikingly Canadian: Château des Charmes Chardonnay from Ontario, Prairie Golden Caviar, Nova Scotia Salmon, Newfoundland Halibut and Quebec Maple Surprise, as well as Médaille de veau cressonnière, Nid de pommes de terre farci aux légumes, Champignons farcis Mireille, and Sonoma Valley Gundlach Bundschu Cabernet Sauvignon. There was also a maple leaf

birthday cake for the Prime Minister, who turned forty-seven the next day.

THURSDAY

THE Prime Minister took official leave of Washington beside the Reflecting Pool between the Washington Monument and the Lincoln Memorial. Once more cannons boomed and bands played. The Mulroneys walked down a red carpet and climbed into a helicopter and were carried off to their Canadian jet at Andrews Air Force Base.



Wide World Photo

Mila Mulroney Meets the Poster Children

On Wednesday, Mrs. Mulroney went off on her own to Washington's Children's Hospital, a large, new, sunny building full of toys and children, joy and sadness. Mrs. Mulroney has a particular interest in cystic fibrosis and the first two children she met were the small girl and smaller boy who had posed for the American Cystic Fibrosis Foundation poster. The little girl was pretty and poised and the little boy a natural hambone.

Cystic fibrosis is a degenerative disease that affects the respiratory and digestive systems, and it is the leading hereditary killer of children and young adults in Canada and the United States.

Mrs. Mulroney showed the children the cystic fibrosis poster from Canada and gave them a short lesson in the pronunciation of the French names of the two children on it. The little girl repeated the names with a nice precision but the boy, who had been playing with small, hollow toy animals, lost interest, put one toy on each finger and waved them at the cameramen.

Mrs. Mulroney then joined a half dozen children ranging from two to ten, who were tamping clay into plastic molds. They were receiving treatment for various diseases and accidents. Most of them looked unimpaired but one very small girl was attached by a tube to a portable machine. Mrs. Mulroney

made a notable impression on a boy of about nine who had his arm in a cast and who, she said, reminded her of her own son, Benedict.

Mrs. Mulroney returned to her primary subject. She told reporters that two Canadian researchers have isolated the genetic marker for cystic fibrosis and there is reason to hope.

"It's only a matter of time," she said. "We're one grab away from finding a cure."

Canada Today/d'aujourd'hui

Available free upon request in the U.S. only. The views expressed are not necessarily those of the Canadian Government. **If you wish to change your address, please include the number on the top of your mailing label.** Written by Tom Kelly, edited by Judith Webster, designed by James True.

Canada Today/d'aujourd'hui

Canadian Embassy
Ambassade du Canada
Room 300
1771 N Street, N.W.
Washington, D.C.
20036-2878
(202) 785-1400
Address correction requested



BULK RATE
U.S. POSTAGE
PAID
WASHINGTON, D.C.
PERMIT NO. 26