

## Canada and U.S. must not be distracted from achieving common goals

Canada and the United States have followed distinct paths from their beginnings and the challenge of Canadian-American relations has been to contain and channel disagreements so that they do not weaken the friendship between the two countries, said Secretary of State for External Affairs Mark MacGuigan in a speech to the Centre for Inter-American Relations in New York, September 30. Excerpts from the address, which discussed Canadian investment and energy policies, follow:

...Clearly, important elements of the U.S. private sector, Congress, and Administration see a disturbing change in Canadian economic policies. In addition to the words "nationalist" and "short-sighted", the terms most often used to characterize this supposedly sudden shift in direction are "interventionist", "restrictive", and "discriminatory". In the view of some prominent Americans, at least, it is no longer possible to look northward and "recognize" the Canada they thought they knew.

Accompanying this generalized concern in some quarters is a more specific complaint, voiced mostly by corporate spokesmen, that the "rules of the game" have been abruptly changed in Canada, and that this amounts to unfair treatment. The companies involved have not hesitated to act on their convictions and seek support in this country, often from their friends in Congress.

### Alarm unjustified

This level of alarm is unjustified, but to a degree it is understandable, since the commercial and economic stakes are high. Over 21 per cent of U.S. foreign direct investment world-wide is in Canada; according to the latest available figures, this amounted to more than \$38 billion. So there is a strong degree of exposure involved. But be reassured that it is two-way. In 1980, two-way trade between the two countries totalled some \$90 billion, the largest trading relationship in the world between any two countries. The point is that neither side wishes to jeopardize economic links of such importance.

A key to ensuring that damage is not done is knowledge. I would like Americans to know more about Canadian realities. They would then recognize that these realities are not threatening to U.S. interests but reveal a country in the process of strengthening itself, not at the expense of others, and in a way which will in fact result in a more capable neighbour and ally for this country....

Our Prime Minister summed it up as he

introduced President Reagan in the House of Commons on March 11 this year. "In the years to come the United States will be looking at a dynamic neighbour to the north. By putting its own house in order, Canada will grow confident in itself. We will establish more clearly where our interests lie and we will pursue them with renewed vigour. One thing will remain unchanged, however: our deep friendship for the United States."

### Clarifying Canadian interests

What we hope our American friends will realize is that, in economic terms, this clarifying of national interest is based on political traditions and economic structures different from their own. More than 200 years ago our paths diverged, although our goals remained much the same. The parting of the ways led to different political institutions and when compared with different geographic circumstances as well, even a different attitude towards the role of government.

A good example is the degree to which Canadian governments have historically felt the need to intervene in national life to knit together and develop a huge, under populated and, in some cases, forbidding land. Among the results are national television and radio networks, national airlines, the Canadian National Railway family of companies and a host of other government undertakings, meant to mobilize capital, technological, and human resources in a scale of effort and risk which some of the challenges of our national development call for. The need for and familiarity with government intervention in the Canadian economy remain to this day.

I should point out that government involvement of this sort represents a pragmatic Canadian response to a particular set of circumstances, and by no means reflects any philosophical discomfort with the role of private enterprise. The private sector has been and will remain the driving force behind Canada's economic development. We share with you the perception that one of the best



guarantors of a free society is a free economy. But Canadian economic development needs to be as coherent as possible and as forward-looking as possible in terms of overall benefits to Canadian society. And for those reasons, Canadian governments, at the provincial as well as federal levels, are at ease with their responsibilities for judicious intervention in the development process.

In part, this is directly due to a second fundamental difference between the two countries, the structure of the two economies. Canada's economy is a tenth the size of yours, and is more heavily dependent on primary resource industries. The manufacturing base in Canada is narrower and is significantly foreign-controlled. Although in many respects general Canadian and U.S. economic interests are parallel, in some important specific ways they diverge. In the past 20 years, the public debate on the degree to which such a divergence was desirable or possible has centred on the question of foreign ownership.

### Foreign ownership

While Canadians acknowledge the benefits which foreign investment has brought them, it became clear by the beginning of the 1970s, after a decade of study, of the very high degree of foreign ownership and control and that there were very significant costs involved as well. These are well known; they relate to the negative effects on the performance of the economy of locating so many of its command centres outside Canada, on the social development of Canada, which needs more research and development for our engineers and scientists; or the effects of the branch-plant phenomenon on the Canadian potential for developing interesting trade prospects. And so on. And the events of 1971 left us feeling suddenly vulnerable.

Accordingly, in 1974, the government established a foreign investment review process whose task is to screen foreign investment for "significant benefit" to Canada.