

# STATEMENT DISCOURS

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EXTÉRIEURES.



NOTES FOR AN ADDRESS BY THE  
HONOURABLE ALLAN J. MACEachEN,  
DEPUTY PRIME MINISTER AND  
SECRETARY OF STATE FOR  
EXTERNAL AFFAIRS,  
TO THE CHICAGO COUNCIL  
ON FOREIGN RELATIONS

CHICAGO,  
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CHECK AGAINST DELIVERY

I am honoured to speak to the Chicago Committee of the Council on Foreign Relations and to so many distinguished representatives of institutions and corporations active on both sides of the Canada/U.S. border. Such advantageous links are at the foundation of Canada/U.S. relations.

In line with your Committee's request for an address on "Canada-USA relations in the context of the international situation" I have two objectives in mind for today. I want to talk first about the character of our bilateral relationship. Additionally, I will speak about the broader and more fundamental global challenge confronting not only Canada and the United States but the world as a whole.

As a point of departure, I would like to focus on the text of the letter from the Chicago committee inviting you to this luncheon. I was particularly struck by the following references: that "the Trudeau years have seen controversy with the U.S.; that nationalism has made Canada less hospitable for American investment; and that restrictions have been especially strict in the area of natural resources".

I must say that things do not look so stark from our side of the border. A brief glimpse at history causes me to wonder whether we have indeed witnessed more controversy in the last fifteen years than during the previous Canadian administrations led by Messrs. Diefenbaker and Pearson.

I mention this, not to demonstrate that one period was more or less controversial nor to document that controversy can arise on either side of the border, but simply to acknowledge that controversy can be found at almost any juncture of this unique relationship, if that is what you seek. It is inevitable that, with so much going on, problems and differences will emerge. There will be ups and downs. It is also inevitable that the positive achievements tend to be neglected or taken for granted.

We have done things together which are the envy of other states. We have established joint investment, production and technology-sharing arrangements which are unparalleled. We have collaborated to defend our common values, to improve our environment and to enhance our stewardship of this continent. We have continually set examples of partnership others wish to emulate.

We have the most complex relationship of any two countries in the world. We are, by far, each other's most important trading partner, exchanging over \$80 billion U.S.

dollars of trade each year. Investment in each other's country is greater than anywhere else in the world. There are countless exchanges and transactions across the border every day. These are assets. They underpin about 20 per cent of Canada's gross national product and supply much of the capital we need for our own economic development. They are reflected in your own trade and prosperity.

Secretary Shultz and I have agreed to meet four times a year to manage our relations. We have struggled with the intricate detail of subjects as diverse as lumber, trade and trans-border trucking. These were, nevertheless, fundamental bilateral issues. And solutions were found. We have made progress on transboundary environmental issues affecting water quality, in the Great Lakes for example; on fisheries management; on various individual trade issues; and on the ways in which legislation on each side of our border sometimes affects business activity in adverse ways.

Much more remains to be done in these and other areas, of course, but the atmosphere of my meetings with Secretary Shultz is positive and co-operative. In fact, the bilateral side of things between our governments is in pretty good shape. It would be still better if you could come up soon with some workable proposals to deal with acid rain.

One thing, however, which crops up again and again during my meetings with Secretary Shultz is that, despite all our two countries share, there are also distinctions between them. As two separate countries, it is only natural that our national interests are not identical.

Historically, we have always had to do things somewhat differently to achieve the same ends of employment and prosperity. We each have adapted to our specific needs and environment. For instance, because of our need in Canada to develop a huge land of widely dispersed resources, in a sometimes hostile climate, and with a small population and capital base, the government has had a greater involvement in our economy than in your case. Canadians are comfortable with that; more so I suspect than many Americans would be.

To pursue effectively our distinct national interests, particularly in economic development, the Canadian government has used a number of specific instruments. Because over half of our manufacturing sector was already foreign-owned, we created a Review Agency to ensure that proposals for foreign investment in Canada were in our national interest. We also put in place a national energy policy because the oil sector of our economy represented one of our principal assets, but was

itself over 70 percent foreign-owned. And we created an integrated Canadian oil company for the first time.

These measures made sense to us for our own future and, I believe, sufficiently strengthened our national fabric to enable us to look at our partnership on this continent with vastly more confidence. But when Canada takes decisive action in its own interest, it is likely to affect your interests and each of these measures became an issue between our two countries.

Today, these issues are less of a problem. American investment in Canada in 1982 was estimated at 52 billion dollars. The approval rate of investment proposals by our Foreign Investment Review Agency over the past year has been about 96%. We have fine-tuned our regulatory approach to take account of the interests of American investors. So I cannot agree with the notion that Canada is less hospitable for American investment. Indeed, your able Ambassador in Canada, Paul Robinson, who hails from Chicago, has publicly stated that our Foreign Investment Review Agency is no longer a serious bilateral issue. Let me emphasize, therefore, that your investment is still, as always, most welcome.

On our NEP, while some philosophical differences persist, there is, I believe, a better understanding now of the objectives and of the opportunities available to both countries for dynamic and mutually beneficial development in the decades ahead. It is important to note that this program applies only to the oil and gas sector. We have stated clearly that "The special measures being employed to achieve more Canadian ownership and control of the oil and gas industry are not, in the Government of Canada's view, appropriate for other sectors." (Economic Development for Canada in the 1980s, November, 1981.)

So I believe that the statement in your invitation letter suggesting that there are restrictions on investment in natural resources in Canada is off the mark.

One of the central challenges for those seeking to manage the Canada/US relationship efficiently is to reduce the rhetorical or ideological impulses to levels of practical concern. Only then can solutions be developed and irritants contained. A first step to that end is to clarify the facts and remove misperceptions. I believe we are doing that and that, in a general sense, the bilateral relationship is on a strong, more confident footing.

A recently published review of our international trade policy reaffirmed the continuing and unparalleled importance

of the U.S. market for Canadian exports. Without radically altering our overall approaches to trade, we decided to study the pros and cons of negotiating limited free trade arrangements with your country in particular sectors, such as urban mass transit equipment, textiles and clothing. These might build on the arrangements we already have with you in the automotive and defence products sectors. These studies are underway. I cannot prejudge the results, but they illustrate our search for ways of expanding our mutually beneficial economic cooperation and a confidence in Canada that we can examine closer economic links with you that offer further mutual advantages consistent with Canada's aspirations as a distinct, sovereign entity on this continent.

Another challenge for us in working with you derives from the uniqueness of your political system. In no other country does the legislature have such an independent life. Your founding fathers designed it that way for perfectly valid reasons. But it creates problems for us when access to our principal market for one product or another is suddenly up for grabs in Congress or state legislatures. We long ago learned that when the interests of a foreign country are up in Congress against the constituency imperatives of a small group, or even one member, the foreign country, even your best friend and neighbour, is at a disadvantage.

Often your legislators do not consciously want to cut us off. Canada may not even be at issue; the target may be Japan or Europe. But even if Canada is not the issue, trade barriers hurt us as much or more and, in the long run, hurt you as well.

We don't take such actions personally but we do take them seriously. Both our countries have begun an economic recovery and can look forward to expanded opportunities as a result. The upturn is still not even across the board or firmly entrenched. We must remain wary of protectionist impulses which could precipitate a slide towards "Beggars thy neighbour" protectionism internationally, from which there can be no winner. This was part of the message of the Williamsburg Summit.

To its credit, your administration has stuck to its anti-protectionist guns but Congress does not always supply compatible ammunition. There is always a risk of unpredictable or unilateral action.

Take natural gas. This is a major Canadian export to the United States but accounts for less than 5% of your supply. It is easy to say today that the price of Canadian gas is too high, that our April price reduction and our July

incentive scheme are not enough. But remember, energy markets have a way of changing overnight, as we all learned in the 1970s. We have producers and investors who we do not want to see put out of business because of a temporary oversupply in the U.S. market. And I doubt that you would consider it in your interest to disrupt and undermine a proven, long-term trading relationship for the sake of a short-term gain.

Times change. When I negotiated the Alaska natural gas pipeline project with Secretary Schlesinger in 1977, shortages prevailed and prices were expected to outstrip our present export price. Most observers now predict a return to increased U.S. dependence on imported gas just a couple of years down the road.

We believe that the measures we have taken to preserve our bilateral gas trade demonstrate clearly our flexibility in the face of changing market conditions, and our concern to remain competitive. But we have paid a price, measured in hundreds of millions of dollars in lost revenue arising from our most recent price cuts. Trade is a two way street. We are prepared to develop gas resources and build and maintain facilities for export, during the years of shortfall ahead, but we need assurance of a reasonable rate of return.

The natural gas trade is a clear example of an issue in which interdependence involves costs to both sides as well as benefits. Both our countries must be prepared to pay a fair share of these costs, and to keep the focus on the long term as well as the ups and downs of the moment.

I referred earlier to statements in your invitation flyer with which I took issue. I was, however, pleased to read the reference to Canada as a faithful NATO ally. We in Canada do have firm and unshakable security ties with you through NATO and NORAD. We are fully committed to both parts of NATO's two-track decision on intermediate-range forces in Europe. We have agreed to test your air-launched cruise missile in Canada. This was a controversial decision taken by our government, but one which reflects clearly our basic commitment to our common security.

The objective of both Canada and the United States is genuine verifiable reductions in arms. You have been pursuing that objective with our support and encouragement. Progress during the past two years has been unsatisfactory to both of us. The Soviet suspension of the Geneva INF talks last week further underlines this discouraging impasse.

In these conditions, we Canadians are deeply concerned that the acrimony now prevailing in relations between the

superpowers has become a greater barrier to arms reductions than is necessary or desirable. That is why Prime Minister Trudeau is trying to help to revitalize the dialogue between East and West, to restore to it the minimum degree of trust and confidence required to advance the cause of world peace.

It is important to bear in mind that Canada does not view the superpowers as moral equivalents. The United States is distinguished by values common to its friends and allies, above all the belief in liberty and democracy. But we believe that the world needs a better atmosphere if arms control talks are to have a chance to succeed.

We begin by acknowledging the existence of a mutuality of interest between the superpowers. This is not, in our view, wishful thinking. It is cold political realism. Both the United States and the USSR know that the other holds the key to its security. Both share a mutual interest in being free from the fear of accidental war and surprise attack. Both share a mutual interest in avoiding uncontrolled escalation of a crisis. Both have an interest in avoiding collisions with the other over regional conflicts. Both have an interest in stemming the horizontal proliferation of nuclear weapons, and the costly vertical proliferation of their own weapons, nuclear and otherwise.

The initiative launched by the Prime Minister of Canada is aimed at improving the atmosphere for discourse between the United States and the USSR and more generally between East and West.

We have made proposals -- a five-power conference of nuclear states; political impetus in the CDE and MBFR talks; stronger non-proliferation commitments; and new measures to contain the risks from new arms technologies. But we claim no monopoly of wisdom. Nor are we suggesting that there is a deficiency of concrete, imaginative and workable proposals. But we believe firmly that the achievement of an improved atmosphere would be, by itself, a political act of high significance.

The search for progress in these important areas should stem from confidence about our western values and about our military, economic and political strengths. To be successful, it must reflect a measure of respect for legitimate aspirations of the other superpower, despite what we think or know about its values, its capacities and its intentions. The objective, very simply, is greater dialogue at the highest level. Through dialogue may come commitment, based on a new level of mutual trust and mutual self-interest. There are no guarantees that such can be attained, but the alternative offers even less hope for the future.