



Statements and Speeches

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ON BEING GOOD NEIGHBOURS : CANADA AND THE UNITED STATES

Notes for an Address by the Right Honourable Brian Mulroney, Prime Minister, to the University of Chicago and the Time Speakers' Forum, Chicago, December 4, 1985.

... Canadians and Americans enjoy a bilateral relationship unparalleled in breadth and complexity. Our mutual respect for sovereignty and for our distinctive character is fundamental and enduring. This evening, I address the future of our already deep friendship, a future [which] I believe is rich in its promise of a yet more rewarding partnership.

As you know, a little over a year ago, Canadians elected a new government, with the largest parliamentary majority in our history, a national government, representative of every province, and supported by majorities of both English and French speaking voters. That mandate, in its nature and in its size, is unique in our history. We see it as an historic opportunity to set a new course for Canada.

This is not the time or place to discuss what has gone wrong in Canada in recent years — in our politics, in our economies, in our relations with the world outside. Let me speak, instead, of what it means for the future — of the three great tasks we have set for the government and for the country. Those tasks are national reconciliation, economic renewal, and constructive internationalism.

My country, like yours, is a federation. Our provinces have control over their natural resources, rights to certain revenue sources, and responsibility for important areas of social policy such as education and health. The national government has the power to levy any form of taxation, and, over the years, has become committed to massive equalization payments to provincial governments; and, in effect to joint financing of health care, post-secondary education and other social programs.

At its best, Canadian federalism is sensitive both to national goals and regional circumstances. It is accommodating. It is flexible. It is creative. It achieves much good. Our federalism has rewarded us richly in the past; it will do so in the future.

That is just one sound reason why the new government had to rewrite the National Energy Program of our predecessors. We negotiated the western accord with Alberta, Saskatchewan and British Columbia. We signed an historic agreement with Newfoundland and Labrador; a new frontier exploration policy, and a natural gas pricing agreement involving both the producing provinces and the consuming provinces. We want our Canadian energy sector to be, not a source of political and regional conflict but of national economic growth and development. We believe our new policies now make this possible.

One of our earliest initiatives was to do away with the Foreign Investment Review Agency. We brought in a new Investment Canada Act with a positive mandate to encourage new investment from domestic and foreign sources while recognizing the special nature of the cultural sectors of our economy. These

measures have helped restore a more positive climate to federal-provincial relations in Canada. Differences there will always be. Recognition of diversity is at the source of a federal system, like yours or ours.

The task of national political leadership in such a federation will always be to reconcile differences, to harmonize policies, to equalize opportunities, to build on regional strengths, to respect historic and cultural differences, and always to set before the nation a vision of what we can accomplish, together.

Two days ago, there was a provincial election in Quebec. The issue was not separatism — the option had been set aside prior to the election. In the absence of such a policy, both major parties campaigned essentially on economic issues. Both major parties were competently led; both waged aggressive but elevated campaigns.

Both parties set out similar objectives. The question was which party could best bring about jobs and economic growth, within the federal framework. On Monday, Quebecers spoke. They elected a government committed to a strong economy, and co-operation with the federal government in Ottawa.

The verdict therefore can only enhance political stability in Canada and contribute to economic renewal. The improved climate in federal-provincial relations; the new energy policy; the more open investment policy; these are essential conditions for renewed economic growth and job creation in Canada.

There is no doubt that real economic renewal has begun. All the indicators — gross national product (GNP) forecasts, interest rates, inflation, housing starts, employment, capital investment — are improving. In some cases they are better than yours. Most important, confidence is being rebuilt. To restore confidence, we also have to get the public finances in order and we are committed to a plan of deficit reductions over the next five years.

We have purposely sought to open our doors to trade and investment. We want to ensure that the opportunities for business to invest and grow are helped, not constrained, by government policy. This was the message I brought to investors in New York one year ago. It is a message that I repeat to you today: Canada is open and ready for business. Our country has always been a good place for investment. We are making it an even better place to do business.

Canada's economic future depends, of course, on trade. One Canadian job in three depends on our ability to compete in export markets. Obviously we have a vital interest in keeping the world trading system open. Indeed, we have worked with the United States to start a new round of multilateral trade talks. Canada, like the United States, wants the new round to include trade in agriculture, in services, and in intellectual property. We will vigorously pursue that policy at the economic summit in Tokyo next May; and at the General Agreement on Tariffs and Trade (GATT) in Geneva. Almost three-fourths of Canada's exports, accounting for 20 per cent of our GNP, go to the United States.

The imperative for Canada, then, is not just more open multilateral arrangements, but stability in our bilateral trade relationship with the US. We want more secure access to this market while recognizing that the removal of barriers opens trade in both directions.

It was with jobs and economic prosperity in mind that on September 26 I announced in our Parliament that the Canadian government wants to pursue a new trade agreement with the United States. This followed on the declaration that President Reagan and I made in Quebec city last March, to explore all possible ways to reduce and eliminate existing barriers in our bilateral trade. We have been encouraged by the response of the United States, first from President Reagan in September, and last month from Secretary of State Shultz.

Our objectives in the trade talks are very clear:

- (1) to secure and expand market access;
- (2) to institute a better framework of rules for dispute settlement — more certainty, more predictability — hence a more confident basis for investment, expansion, modernization, and specialization;
- (3) to compete fairly, both in North American and in global markets;
- (4) to face up to adjustment, not just from US competition, but from the imperatives of a fiercely competitive global market.

Our purpose, in short is to raise incomes, job opportunities and living standards on both sides of the border.

If we and our American partners cannot strike a deal that will achieve these goals, a deal will not be struck. Our political sovereignty, our system of social programs, our commitment to fight regional disparities, our unique cultural identity, our special linguistic character — these are the essence of Canada.

They are not at issue in these negotiations. Canada is a bilingual country, in law and increasingly in practice. Our bilingual character is one of the reasons federal and provincial governments promote culture through direct financial support; it is why there are special rules regarding our cultural sector in our Investment Canada legislation. When it comes to discussing better trade rules for cultural industries, you will have to understand that what we call cultural sovereignty is as vital to our national life as political sovereignty. And how could it be otherwise living, as we do, with a country ten times our population.

Canada and the United States are different sovereign democracies. In the United States, you cast the net of national security over more areas than we; in Canada, we cast the net of cultural sovereignty more widely than you.

Notwithstanding the concerns that always arise from the prospect of change, I am convinced that Canadians strongly support our attempt to negotiate a new trade agreement with the US. There is in Canada, as in the United States, some scepticism as to whether any such agreement could get by a Congress which seems to be growing more and more protectionist. To these sceptics, and indeed to the Congress, let me underline the important stake you Americans have in our bilateral trade.

Canada is your biggest export market. Despite the higher level of the US dollar, we bought \$53 billion in American goods last year. We take 20 per cent of all your exports, and those exports are concentrated in manufactured goods. Canada is your fastest growing market, increasing 40 per cent in the past two years. In Illinois alone your exports to Canada grew in 1984 by 25 per cent to a record \$3.8 billion.

Last year the trade in goods and services between our two countries amounted to close to \$150 billion, the largest exchange between any two nations in the world. It is 50 per cent greater than America's commerce with Japan, it is also greater than your trade with all ten nations of the European Common Market combined. The pay cheques of over four million workers living on both sides of our border are directly dependent on our mutual trade.

Obviously, then, it would be a mistake for US Congressmen, or businessmen, or workers, to underestimate the importance of the economic relationship with Canada.

When I speak to you of the mutual advantage to be gained from more open trade between our two countries, I underline the word mutual. And when I speak of the mutual danger of protectionism, again I underline the word mutual. American investment in Canada represents some 80 per cent of all foreign capital in Canada (and 25 per cent of all US investment abroad). Canada is among the largest foreign investors in the USA.

And we are more than economic partners. We have joint tenancy of this great continent and of its environment. We have a joint responsibility to preserve this environment, on land, in our waters, and in the air. Governments, individuals and a host of private and public institutions co-operate across the border in a multitude of endeavours, for the benefit of our two peoples and, in some cases, of mankind.

We are partners in North American air defence systems and allies in the North Atlantic Treaty Organization. That relationship, which offers so much benefit to our peoples and so great an example to the world, cannot thrive in an atmosphere of economic protectionism. For history teaches us that protectionism in one area begets retaliation in another.

Parochial economics and politics on one side lead to narrow nationalism and discrimination on the other side. Protectionism in international economics leads to isolationism in international politics.

I know that President Reagan shares this view, and I echo his words — "protectionism is destructionism". With some 300 protectionist bills currently before the Congress, all who believe in the benefits of a more open world trading system must take a stand.

On both sides of the border, we must confront the forces of isolationism and beggar-thy-neighbourism with a better idea. That better idea is to move forward, not backward; to enhance and improve the biggest bilateral trading relationship in the world; to try to negotiate a new bilateral agreement that will be fully compatible with our mutual obligations under the GATT.

Canada and the United States are good neighbours. Our countries have been inspired, by a common heritage of democratic institutions, by the guarantee of equal justice under law and by a common international purpose — the promotion of peace and the preservation of freedom.

There is inspiration and hope in our future partnership. The achievement of a new economic agreement between two sovereignties on this continent would give our peoples more abundant opportunity to live secure, prosperous and satisfying lives as Canadians and Americans....

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