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VISIT HIGHLIGHTS STRENGTH OF
CANADA/U.S. RELATIONS

Concluding a two-day visit to Washington on February 25, Foreign Minister André Ouellet declared the state of the Canada/U.S. relationship to be "very good."

Secretary of State Warren Christopher echoed these sentiments: "We are very much encouraged by the relationship with the new government."

Ouellet, who spoke of "friendly but independent" relations between Canada and the United States, noted in particular that "trade irritants must not be allowed to deteriorate to the point that they could jeopardize our good relations."

Ouellet's visit was the first of several high-level meetings between Canadian and U.S. officials scheduled for this spring. These include Deputy Prime Minister and Minister for the Environment, Sheila Copps, International Trade Minister Roy MacLaren and Industry Minister John Manley.

In addition to his 90-minute meeting with Secretary Christopher, Ouellet met with Senate Majority Leader George Mitchell; Senator Richard Lugar, Ranking Minority Member of the Senate Foreign Relations Committee; and House Foreign Affairs Committee Chairman Lee Hamilton.

In his meetings, the Canadian Foreign Minister stressed the imperative of managing trade disputes and the importance of "good relations between our two countries." He particularly emphasized the need to resolve a number of outstanding agricultural irritants, which he hoped could be settled in a "package."

He also pointed to long-standing trade disputes such as softwood lumber, where the U.S. is challenging a binational dispute resolution panel ruling favorable to Canada. "We think there's no justification for it, but we respect the process," he said.

He added: "Those issues that I have difficulty with are serious, are very important. But they have to be taken in the

overall aspect of our huge, huge trade relations with the Americans."

Canada and the U.S., by far the world's largest trading partners, conducted a record C\$269 billion in two-way merchandise trade in 1993, up nearly 20 per cent over the previous year. (See article on page 4.)

In their talks on multilateral questions, the two foreign ministers discussed Bosnia, the future of peace-keeping and the restoration of democracy in Haiti.

Secretary Christopher paid tribute to the 2,000 Canadian peacekeepers serving with UN forces in the former Yugoslavia. "I want to compliment, express our admiration for the courage and bravery of the Canadians," he said.

On the subject of Haiti, Ouellet said he had told the Secretary of State that the preference of the Canadian government was to "force the hand of the military" and that it was "necessary to put in place a process that would eventually lead to the return of President Aristide."

The two foreign ministers also discussed Canada's desire to play an active role in NATO's Partnership for Peace with countries of the former Soviet bloc, beginning with a joint venture with the Ukraine.

In what The Washington Post called "one of the first tangible by-products of the North American Free Trade Agreement," Foreign Minister Ouellet also witnessed the signing of a trilateral



AP by Charles Tasmadi

Canadian Foreign Minister André Ouellet with U.S. Secretary of State Warren Christopher on February 25.

artist residency exchange program between Canada, the U.S. and Mexico.

"Our three countries cannot fully prosper in all the ways that matter if they remain no more than trading partners," Ouellet said. "This program will provide, with good luck, a new sense of the North American community."

On a separate issue, Ouellet was questioned about the visit to Washington of Lucien Bouchard, head of the separatist Bloc Québécois and Leader of the Official Opposition in Parliament, scheduled to take place a few days later. The Foreign Minister said, "Americans like Canada as a united country, as a very democratic country."

All figures are in Canadian dollars.
The official noon exchange rate on March 18 was US\$1 = C\$1.3692.
The average exchange rate for 1993 was US\$1 = C\$1.2898.

INTERVIEW WITH AMBASSADOR RAYMOND CHRÉTIEN

Canada's new Ambassador to the United States, Raymond Chrétien, arrived in Washington in late January, and presented his credentials to President Clinton on February 14. A career foreign service officer who has served as associate deputy minister in Canada's foreign affairs ministry, Chrétien also served as Ambassador to Mexico from 1985 to 1988 and came to Washington directly from his previous posting as Ambassador in Brussels. In his office in March, Ambassador Chrétien shared his early impressions of his new job and the challenges ahead.

Q. How does Washington compare with other cities you've served in?

Ambassador Chrétien: It's always difficult to compare one posting with another. Belgium is a country with which Canada has enjoyed very close relations because of the war efforts. We lost 12,000 of our young men in Flanders Field during the two World Wars. There is a feeling that we helped liberate them from the Nazi yoke, one that is still referred to this day. Therefore, as a Canadian, I enjoyed extraordinary access everywhere I went in Belgium. In that sense, Brussels and Washington are probably more alike than Washington and Mexico. Brussels is very, very open to us; so is Washington.

Q. What's your sense, then, of Canada's access in Washington, the level at which Canada is received and the way the messages are received?

Ambassador Chrétien: Here, for different reasons, our access is also excellent. The importance of the relationship is such that it is in the U.S. interest to deal with us on a very large number of items. We share a very long border. We share many of the same values. The links are extraordinarily close.

I've been here barely a month. However, I am already confident that our access to American decision-makers will be excellent.

Q. Canadians, if one could put it this way, have a kind of a schizophrenic sense of the relationship with the U.S. On the one hand, they don't want to be ignored by the Americans, and on the other hand, they don't want them to interfere.

What's your sense of how the Embassy has to walk the line between the two in representing Canada's interests here?

Ambassador Chrétien: Well, you say that there is a danger that we will be ignored. I can understand that danger. It's simply because the relationship, despite its magnitude, does not create serious problems for the Americans. Their northern neighbour is peaceful, quiet. Democracy flourishes on the northern border, with enormous trade flows in both directions. What doesn't create problems doesn't get mentioned. So that's perhaps the reason why we are not overwhelmingly present in their major stories. There are, of course, many good sides to this quietness in the relationship. We certainly enjoy a standard of living that is due, to a great extent, to the close integration of our economies.

Q. What's your sense of the framing of the bilateral relationship, Canada-U.S., in the larger, multilateral context?

Ambassador Chrétien: I think that we could work more closely with the U.S. on multilateral issues, in multilateral organizations where our interests coincide. As you know, the U.N. has always been a key pillar of our foreign policy. This has not been true to the same extent for our American friends. I suspect—based upon my own experience with the U.N., where I served in the '60s—our links with the U.S. there were not as close as they were with a number of other countries. The links that exist between Canada and the Nordic countries, the links between Canada, Australia, and New Zealand in multilateral fora, are quite often of a different quality, on a different level, than those existing between Canada and the U.S.

My view is that we could assist the U.S. in engaging in multilateral organizations by working more closely with them on areas of mutual concern, much as we have done in multilateral trade negotiations under the GATT and in the G-7. Canada's multilateral reputation is one of the many pluses we bring to this bilateral relationship.

Q. Redefining the mission of NATO, for example, and peacekeeping?

Ambassador Chrétien: Yes. Of course, Canada is a member of NATO. Despite the fact that we had to withdraw our forces from Europe, we're still an ally, an ally that has always been present when the need arose. Our troops can be redeployed rapidly to Europe in times of crisis. Indeed, our presence in the former Yugoslavia, as we speak, is an indication that we're not losing interest in European affairs. We have close to 2,000 people on

the ground. Therefore, it's a clear indication that we match our words with our deeds. We're there. We're there on the ground, but we also want to participate in the discussions where the issues of war and peace are discussed.

Q. What about the size and importance of the commercial relationship between Canada and the U.S.?

Ambassador Chrétien: This post is certainly by far the most important one from that point of view. As you know, the Embassy is constantly dealing with issues that affect the well-being of our fellow citizens. It has always been our most important trade and economic relationship, and it seems to be moving to an even higher level. The very large increase in bilateral trade that we witnessed last year is an indication—a solid indication—of the importance of that aspect of the relationship. It has not diminished, but increased in importance.

Q. There's a hit parade of trade irritants, as you know, sometimes referred to as "hogs and logs, suds and spuds." Do these irritants sometimes receive more prominence than they deserve, or not enough? Are they always going to be there, something we'll have to live with?

Ambassador Chrétien: I think that they rightly get attention. The disputes are important and should be resolved. But, in fact, they represent only a relatively small percentage of our overall trade relationship—approximately 5 per cent.

I think that even though the trade relationship is generally excellent, we have to fight to make sure that those irritants are carefully managed and, we hope, solved. We can never lower our guard. This is a constant battle, and I certainly intend to make our positions very clearly known to the Administration, to ensure that the U.S. government is abiding by its obligations under the NAFTA and to work toward the resolution of these problems.

I suspect that they will always be there—if not the present ones, new ones. It's almost inevitable in this kind of enormous trade relationship.

Q. Moving from the Canada-U.S. trade relationship into the NAFTA, an area that you had an early look at even before it came to pass when you were

Ambassador to Mexico, how do you see the opportunities in this new trading area of 360 million people?

Ambassador Chrétien: First of all, let me tell you that I spent almost a whole year preparing our Government for this initiative. In 1987 and '88, when I was on the ground in Mexico, I had a certain feeling that NAFTA was coming. Now in Washington I am interested to see the implementation of the agreement which I participated in developing in the late 1980s.

So how will it affect the whole hemisphere? It's too early, of course, to evaluate the impact of NAFTA. We're in just the third month of its implementation, but I think that it will have the effect of drawing the whole southern part of the hemisphere closer to the North.

Q. *What about the impact of the new GATT agreement? You also served in Brussels, the heart of the new Europe. What are the opportunities for Canadian and North American business there?*

Ambassador Chrétien: First of all, we will have to see how it is implemented here. As you know, we are very carefully watching the legislation that will be presented to Congress to make sure that it does not make U.S. trade laws more protectionist in nature. Although it is too early to determine what the effects will be, I do believe that it will be positive for both the Canadian and U.S. economies.

Q. *We had the visit here in early March of Mr. Bouchard, the Leader of the Opposition. Are you getting questions from your American contacts about the future of Canada?*

Ambassador Chrétien: Yes. I was a bit surprised when I arrived to see that the issue of Quebec is certainly present in the minds of our American counterparts since the elections last fall when the Bloc Québécois became the Official Opposition in Parliament. It's very hard for many of our American colleagues and friends to understand. Therefore, I suspect that the situation we have in Parliament is going to receive more attention as we get closer to the election in Quebec.

Q. *The Prime Minister and the President met at the APEC summit in Seattle and they'll meet again at the G-7 in Italy. And, of course, they talk on the telephone whenever they need to. What is your sense of their relationship, how they have hit it off?*



Official White House Photograph

Ambassador Chrétien: I think it's a good relationship. They met not only in Seattle, but also in Brussels in early January. They have talked on the phone on a few occasions. I think they're off to a good start. It's a relationship of mutual respect, and that's certainly how our Prime Minister wishes to carry on this relationship.

So far, so good. These are two men who have not always had life easy and have struggled hard to be where they are. They certainly have an understanding of people's needs. They know what it means to earn a living, to come from a difficult environment or social structure.

Q. *You've met the President three times in the short time you've been in Washington. What's your quick take on him?*

Ambassador Chrétien: A very likable man, with a warm personality; very alert, very informed on issues. The presentation of credentials was a family affair; my wife and children participated in the ceremony. He certainly made all of us feel very much at home and comfortable — an extremely warm reception.

Q. *How are Americans different from Canadians and Europeans in the way they do business?*

Ambassador Chrétien: What strikes me about my assignment here is how direct they are, how unimportant formalities are when you get down to the heart of an issue. Direct, businesslike—which fits me very well, by the way, because

Canadian Ambassador to the U.S. Raymond Chrétien presents his credentials to President Clinton on February 14.

I tend to be like that myself. But the difference is striking. I've served in other parts of the world where you spend three-quarters of the time discussing, going around the issue, drinking coffee, talking about the weather. It's certainly not the case here. So that has struck me since my arrival here, how quickly you go straight to the heart of the matter.

Q. *Foreign Minister Ouellet said when he was here that Canada wanted to have an independent foreign policy. How do you explain what that means to Americans?*

Ambassador Chrétien: It means that it's a foreign policy decided in Canada, by Canada, for the interest of Canadians. That's what it means. I don't know if it is interpreted differently here, but it means that those are the factors that will come into the decision-making on the issue. It doesn't mean that it is antagonistic to American interests—far from that. But it would take into account first and foremost Canadian interests.

Most often, Canadian and American interests do coincide, and when they do, so much the better. When they don't, then we must agree to disagree and respect each other enough to disagree. That, I think, is the present attitude of our Government. That's what I think the Minister means by an independent foreign policy.

CANADA QUARTERLY SURVEY

With the publication of the fourth issue of Canada Quarterly, we feel it is time to consult our readers to determine if the newsletter is fulfilling its purpose: namely, to provide Americans having a professional interest in Canada with information on Canadian

policy, events and trends that they can't readily get elsewhere. We would be grateful if you would take the time to fill out and return the questionnaire below so that we can better gauge your interests. The postage has been pre-paid.

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CANADA-U.S. TRADE SOARS

Since the Canada-U.S. Free Trade Agreement went into effect on January 1, 1989, the value of merchandise trade between the two countries has risen by almost 42 per cent, from C\$189.7 in 1988 to \$268.9 billion in 1993.

The trade flows in both directions surged in the last two years, with total merchandise trade up by 12 per cent in 1992 and by 19 per cent in 1993.

The exchange is the largest between any two countries in the world. According to the U.S. Department of Commerce, the U.S. sold more than twice as much merchandise to Canada last year as it did to Japan, its second

largest trading partner. In fact, U.S. merchandise exports to Canada in 1993 nearly equalled its exports to the 12 countries of the European Union.

Canada's trade with the U.S. dwarfs its trade with any other country – 80 per cent of its merchandise exports went to the U.S. in 1993 and 73 per cent of its imports came from that country.

Although Canada has recorded a surplus in merchandise trade with the U.S. in recent years, that is only part of the story. The current account between nations also includes non-merchandise trade, made up of service transactions, investment income and one-way transfers such as pensions, legacies and charitable contributions. The U.S. is the world's largest exporter of services, and it regularly sells more to Canada than it

buys. In 1993, it exported \$26.2 billion worth of services to Canada while importing \$16.1 billion worth.

The current account balance between Canada and the U.S. has shifted back and forth since World War II, more often in favour of the U.S. In 1992, the U.S. enjoyed a surplus of \$2.8 billion, while Canada had a surplus of \$2.3 billion last year.

CANADIAN ECONOMIC OUTLOOK IMPROVES

Led by a strong fourth quarter, the Canadian economy expanded by 2.4 per cent in 1993, its highest growth rate in four years.

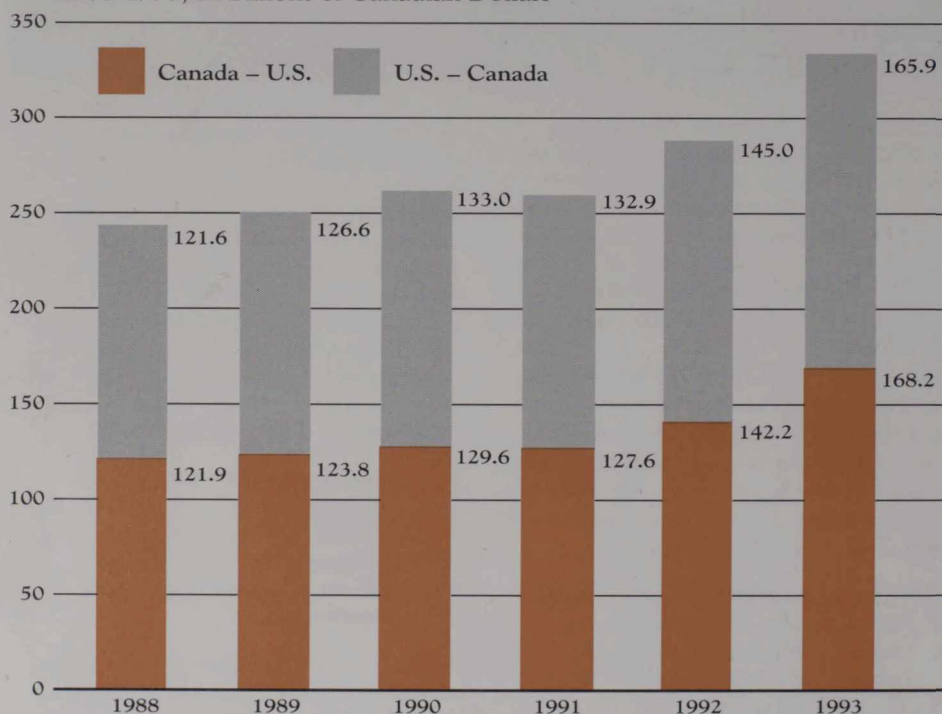
A surge in merchandise exports, which grew in volume by 10.2 per cent over the previous year, fuelled the expansion. The year also saw modest growth in business and consumer confidence. Investment by business increased by 2.3 per cent, and consumer spending rose by 1.6 per cent for the year. In the fourth quarter, the economy grew by .9 per cent, which translates into an annual rate of 3.8 per cent.

Finance Minister Paul Martin, commenting on the report, said, "The fact that investment is up, that the economy looks stronger, certainly makes us happy. But what I would like to see is more job creation and more domestic demand."

Statistics Canada later reported that 66,000 jobs had been created in February, leading to a drop in the national unemployment rate to 11.1 per cent from 11.4 per cent in January. The February job gain followed an unexpected loss of 39,000 jobs in January.

Canada – U.S. Merchandise and Non-Merchandise Trade

1988-1993, In Billions of Canadian Dollars



Source: Statistics Canada

CANADA QUARTERLY

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