



# Statements and Speeches

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## CHALLENGES AND OPPORTUNITIES OF HAVING THE U.S. AS A NEIGHBOUR

An Address by the Honourable Mark MacGuigan, Secretary of State for External Affairs, to the Cincinnati Council on World Affairs, Cincinnati, Ohio, October 17, 1980

...I propose to speak to you today with considerable candour about a number of aspects of the relationship between our two countries and, more particularly, about how we in Canada view the prospects for that relationship in the period immediately ahead. I do so in the hope that we can thereby achieve greater sensitivity to national aspirations and to the mechanisms and structures we employ in seeking to achieve them.

Canada and the United States grew out of the freedom to choose a way of life. For hundreds of years, men and women have chosen to come to our two countries, and have worked hard to improve their lot once they reached these shores. Out of these recurring waves of humanity have grown two societies full of diversity, but having internal coherence through a set of shared ideals and common hopes. The hold on people's imaginations which the prospect of being part of this enterprise inspires has not slackened over the years. The thousands of refugees around the world who would do anything to settle in our countries are significant testimony to the power of the North American dream.

Our common heritage has bred similar values and a common ethical landscape. Democracy, human rights, individual freedoms — these are the bedrock of our common interest, the cement of our defence alliance.

Every day, in our relations with each other, we see a practical example of our commitment to civilized conduct among nations. From this perspective, it is natural that we should both be outraged at the Soviet occupation of Afghanistan, and that we should share your anguish and anger at the flagrant violation of the rules of international law which has occurred in Iran. We both believe that the community of nations simply must not be allowed to ignore developments such as these, because the fabric of international order is fragile, easily damaged, and once torn, almost impossible to repair.

The plain and uncomfortable fact is that we all face uncertain times — times when differences between countries tend to be magnified. And because Canada and the United States are energetic nations with a multitude of interests of their own in addition to their many links, hard times pose a special challenge. The 1980s look like a difficult period, but our two countries have faced harder tasks before and overcome them together.

It is partly because we have so much in common that our differences can be so jarring. Some are quite basic. In the United States, you lay heavy stress on the concepts of capitalism, free enterprise, the efficiency of market forces. These are im-

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portant to us, too, but we are less reluctant to accord a participatory role to government. The Canadian National Railway, a Crown corporation, helped to complete the opening of our West and to knit the country together. Air Canada is our largest airline and one of the world's most effective and profitable. Atomic Energy of Canada Limited has developed the unique CANDU nuclear reaction system — one of the world's most advanced and safest.

Our countries have different constitutional structures. In your country, any treaty undertaking by the United States Administration requires ratification by the Senate, but then becomes the law of the land. In Canada, international treaties are concluded by the government without further reference, but implementation requires subsequent legislation. In recent months we have become pointedly aware of this difference through the fate of the boundaries and fisheries treaties. After several years of difficult negotiation and bargaining, we concluded an agreement with the United States Administration. Today, however, Senate continues to insist on re-negotiation, but we have no intention of negotiating on the floor of the Senate.

Canadians also look to their governments to ensure a degree of economic equality — hence the concept of sharing our wealth among the rich and less rich provinces. Through our social programs we try to achieve a society with a comparatively small gap between its rich and its poor.

The United States has roughly ten times the population of Canada. The United States' gross national product is ten times Canada's. Similarly, United States' investment in Canada outstrips Canadian investment in the United States. Twenty per cent of your exports go to Canada; 70 per cent of Canada's exports go to the United States. Hence, your economic strength is part of the Canadian consciousness, and the risk of being overwhelmed is ever present. You need to import those Canadian products just as we need to sell them. But our need is probably greater than yours. It is for this reason that the dangers of protectionism preoccupy us. "Buy American" legislation — state or federal — directly affects Canadian exports to the United States. Frequently, the intention of the law-makers is to safeguard American industry against the unfair trading practices of distant countries. But the impact is often more heavily felt in Canada, and Canadians can be excused for viewing these initiatives with a certain degree of cynicism.

#### Auto pact

Another trade issue of vital interest on both sides of the border is the auto pact. The automotive sector is central to both our economies and so it is natural that Canada should want to ensure that it obtains an equitable share of the benefits of the North American motor vehicle industry as it converts to the new generation of automotive technology. Canadian and United States' officials are now discussing this question, together with the Canadian concern that any possible United States' response to competition from off-shore manufacturers takes into account our needs as part of the North American industry.

Although the automotive sector perhaps presents the general problem in its clearest terms, the fact is that most major United States' policy decisions have an effect, intended or accidental, on Canada. This characteristic of the relationship shows up in

a number of areas, whether it is the formal legal debate surrounding extra-territorial application of domestic laws or regulations or a specific environmental issue. An example of the latter is the Garrison Diversion Project in North Dakota, where a United States' irrigation project would, if completed as planned, seriously damage Canadian waters.

A recent survey by a New York investment firm which provides advice to the top companies of the Fortune 500 indicates that Canada is a highly desirable country in which to invest — one of the top five in the world. We have welcomed foreign investment throughout most of our short history as a means of developing what is, in international terms, a young nation. But in recent years we have had to construct some safeguards. By 1974, foreign ownership of the energy sector (as measured by assets held) had reached 88 per cent. For minerals the figure was 45 per cent, manufacturing 57 per cent, and so on. Such key industries as chemicals (78 per cent), electrical products (65 per cent), transportation equipment (80 per cent), and rubber (94 per cent) were also substantially foreign-owned. Alarms have been rung in the United States for levels of foreign investment, only a small fraction of those then existing in Canada.

We Canadians were undoubtedly in danger of losing control over our own affairs. Take-overs were not always carried out for what we thought were good reasons. At times, cash-flow considerations prevailed; at other times, the elimination of Canadian competitors was the intent. For these reasons, we therefore put in place the Foreign Investment Review Agency whose mandate was to ensure that foreign investment would be of significant benefit to Canada as well as to the company. Of the 1,637 cases so far decided by FIRA involving United States' firms, 91 per cent have been approved in the six years since the agency's establishment. Moreover, the system is open. Investors in Canada do not have to cope with administrative guidance as is the case in Europe and elsewhere. Over-all, we believe that the Canadian approach has been even-handed and fair. We expect that our vigilance in this area will continue, and perhaps as Americans' own worries over foreign ownership take shape, the Canadian policy will become more understandable.

In terms of the predominance of the United States, cultural expression is another area of particular concern to Canadians. The United States has an enormous cultural influence, driven by the world's most powerful media. Faced with this situation, successive Canadian governments have seen a need to ensure that Canadians could develop their own culture in a difficult commercial environment. The intent has never been to wall off Canada, but simply to provide an opportunity for national self-expression. This broad policy determination has led to a number of specific government actions, some of which, like the Canadian content regulations on radio and television, may be known to you. One main concern has been to safeguard the economic viability of the Canadian broadcasting system. As a result, legislation was passed in 1976, aimed at curtailing the flow of advertising revenues to United States' stations broadcasting into Canada from just across the border. This step has been met with considerable opposition by some broadcasters in this country, but should be viewed in the context of Canada's over-all communications and cultural needs.

A second set of Canada-United States' communications issues only now beginning to take shape concerns transborder data flow. This field is extremely complex and involves a number of related considerations, including national sovereignty, the free flow of information, commercial exchanges and privacy matters. In this, as in other areas, Canada's position of sharing a border with a country ten times its size in terms of population and economy means that we cannot afford the luxury of "letting problems take care of themselves". I can assure you, however, that Canadians will remain wedded to the notion that ideas know no national boundaries, and that information is, in the most real sense "the common heritage of mankind".

Perhaps in no field are the costs and benefits of having the United States for a neighbour more manifest than with regard to energy. Over the years our two countries have found energy co-operation fruitful. Net exports of Canadian light crude oil to the United States are now minimal, but "swaps" of considerable proportions still occur. Our exports to you of natural gas and electricity are increasing. Most striking of all, the massive northern gas pipeline project is moving forward despite organizational, financial and regulatory obstacles.

#### **Pollution problems**

This region, however, presents an instructive example of the costs to Canada of living nearby. While the region provides coal to Ontario's industries, it also produces emissions which are contributing substantially to the serious air pollution problem now affecting both countries. In a Memorandum of Intent signed recently in Washington, the Canadian and United States' governments committed themselves to taking action to reduce transborder air pollution. Some tough decisions will have to be made on both sides of the border to ensure that our energy and industrial requirements are not met at the expense of the environment — particularly in the light of the damage already inflicted on a large proportion of Canada's lakes by "acid rain".

From what I have said so far, it will be apparent that we consider that the Canadian-United States' relationship offers unique challenges and opportunities. Accordingly, it should not come as a surprise that we are unreceptive to schemes for continental economic integration which some would superimpose on the established pattern of bilateral links. As Prime Minister Trudeau stated in May during the visit to Canada of Mexican President José Lopez Portillo, Canada's interests would best be advanced by the continued strengthening of bilateral relations with our North American neighbours. Our relationship with the United States is too complex and rich to fit easily into an artificial "conceptual framework" more suited to the classroom than to the real world.

#### **Constitutional revision**

Before concluding, Mr. Chairman, I want to say a few words about a process now going on in Canada, with which some of you will be familiar. For a number of years we have been engaged in the difficult task of constitutional revision — a process that inevitably gives rise to a certain amount of disagreement about how we should go about it, how powers should be divided between the federal and provincial governments, how fundamental rights can best be protected, how the ownership of resources is to be determined and how we can best enhance the rights of minorities while, at the same time, strengthening national unity. As your own history has shown you, and indeed that of all federal states, the matter of where to strike the balance between the

central and regional authorities is almost always a complex and contentious issue. But I want to assure you that while our debate may be heated at times, it is a process that has been going on for many years and the outcome is beyond doubt: for Canadians, national unity is indispensable, and as we surmount our differences, we will emerge stronger and more united than ever.

I would like to conclude with the following general observations. Canadians and Americans have never feared the future. Indeed, our eagerness to embrace it has been a characteristic of our societies. At the moment, however, we seem to be looking forward with less certainty than in the past. Perhaps at the root of our sense of frustration is the gap between our great capabilities and our apparent inability to bring them to bear on the world's problems.

I would hope, instead, that we have gleaned from the past decade a more accurate appraisal of our limitations, and that we now have a more realistic basis from which to go forward. I have no doubt that our countries will build creatively on the experience of the Seventies, so that the opportunities of the Eighties will not be lost in our concern over its perils.