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ADDRESS—THE RELATIONSHIP BETWEEN CANADA  
AND THE UNITED STATES

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There are a number of specific issues that concern people in government and the people in your industry that we could talk about today. The demographic trends that pose problems for pension fund design also pose a whole range of problems and challenges for government.

Investment climate uncertainties and taxation uncertainties and wildly fluctuating interest rates affect your industry in a variety of ways, and yet these things are, in many cases, the end results of well meaning government efforts to deal with what sometimes appear to be staggering economic and social problems.

But with your permission, I'd like to talk in somewhat broader terms today—not about the specific topics of narrow interest to your profession - but about the relationship that exists between Canada and the United States.

You know, this joint meeting of your two societies - one Canadian and one American - is one of literally thousands of business and professional exchanges that take place - on an ongoing basis - between the citizens of our two countries. The companies that employ most of you are some of the literally thousands of enterprises that do business in both countries, providing goods and services, creating employment and paying taxes in both our nations.

Since the 1930's Canadian insurance firms have competed very effectively in the U.S. market, and the U.S. firms themselves command a significant share of our own Canadian market. And that economic relationship is only a part of the total trading relationship between Canada and the U.S. - the largest trading relationship between any two countries on earth.

Canada and the U.S. are each other's largest export markets. Each year we do a two way trade in excess of \$90 billion. In 1980 the value was \$96.239 billion. In 1980 Canada sold about \$48.054 billion worth of exports to the U.S. In turn, we imported almost \$48.180 billion worth of goods from our southern neighbour. I repeat: that is the largest trading relationship between any two countries on earth.

We should note that in 1980 63.3% of Canada's total export trade went to the U.S. while 16% of the total exports of the United States went to Canada.

I'm not sure how many people in Canada and the U.S. know that we also represent each other's fairest trading partner. In terms of barriers to trade and ease of penetration of our markets, we have the two most open economies of the industrial world. We have co-operated and continue to co-operate

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through special agreements like the Auto Pact, the Defense Sharing Agreement, the St. Lawrence Seaway and Power Development. We face jointly the challenge of protecting or restoring the environment in the Great Lakes.

In total, counting all trade in resources, foodstuffs and manufactured products, the trade between our two countries is very close to balanced. Our balance of payments is less balanced and that causes Canadians some concerns as profits and dividends on U.S. owned companies doing business in Canada, flowing back to the United States, put constant pressure on the balance of payments between the two countries.

And although our trade is balanced on an across the board basis, there are particular parts of our commercial relationship which are not in balance, and which are a cause of serious concern to Canadians.

For example, in 1979, we ran a deficit in motor vehicles and parts of close to \$3.8 billion in our trade with the U.S. We ran a deficit of almost \$5 billion in trade in machinery. Generally speaking, Canadian trade with the U.S. shows a deficit in high technology areas, and a surplus in resources like natural gas or forest products. That causes us concern in Canada as we work to build up our manufacturing capabilities, and our own high technology industries.

But if I were looking for a weakness in the relationship, I think I would have to say that there has been a general failure, in both Ottawa and Washington, to manage and direct our relationship. We've tended to take it for granted.

And partly as a result, we're facing today a growing list of what are normally described as irritants between the U.S. and Canada.

That chronic imbalance in our trade in manufactured and high technology products is one such irritant for many Canadians. We benefit mightily from the sale of our resources, but we have no wish to be mere drawers of water and hewers of wood for the much larger and stronger U.S. economy.

Exports of finished goods by Canada to the U.S. in 1980 were valued at \$17.769 billion accounting for 37% of Canada's exports to the U.S. However, 63.8% of our imports from the U.S. valued at \$30.777 billion were imports of finished goods.

Americans are concerned - as are many Canadians - about Canada's national energy policy and the way it discriminates against the U.S. companies that were established here in Canada in good faith, and that have been operating according to Canadian law, in some cases for decades. Canadians are concerned about the whole system of "Buy America" legislation that has been adopted throughout the U.S.

Today some 35 U.S. states have some form of legislation, regulation, or purchasing practice that discriminates against Canadian manufacturers - many of whom have been selling into the U.S. market, and buying a great many components and supplies from the U.S. for decades.

On a local basis, American citizens of Florida are concerned about the degree of Canadian land purchases in that part of the U.S. Canadians in Manitoba are deeply concerned about the proposed Garrison Irrigation project which would drain into Manitoba introducing a risk of pollution and introducing

species of fish alien to Canadian waters which could devastate the Manitoba inland fishery.

On the East Coast, the overlap between the fishing limits of the two countries has still not been resolved by treaty. That list could go on for some time, because it's become alarmingly long.

I'm not going to try and prescribe solutions to all those disagreements here today. No one politician, and neither of our countries acting alone, can dictate the answers.

But I would like to talk about a general approach, a general attitude which, for the Canadian partner in this relationship, is, in my opinion a prerequisite to the preservation of the health and vitality of what is, for both our nations, the most important of all our international relationships. And I believe that the fact that much of what I will have to say will be new to those of you from the United States is a symptom of our overall problem in Canada: we haven't done a very good job of communicating with you.

One of the underlying problems for Canadians in the U.S.-Canada relationship is we have an entirely justified and legitimate concern that the extent of United States influence over our economy can seriously weaken and compromise our independence as a nation. In its extreme form, this concern takes the form of a harsh anti-American attitude - an across-the-board condemnation of American investment and American ownership in Canada, together with an alarming willingness to disregard U.S. interests.

But there is also a group in Canada, represented heavily in the business community, that seems to want to pretend that there's no problem at all, that it's mere alarmism to suggest that the very dramatic extent to which key sectors of our industry are owned by U.S. companies, and key decisions affecting Canadians made in U.S. head offices, should not really be a cause of concern.

One group - the extreme nationalist group - wants to say effectively "to hell with the U.S.". And the other group - the no problem group, we could call it - talks about total free trade between our two countries, as if that would do anything other than relegate us permanently to the resource industries, and almost exclusively to the primary ends of the resource industries - the extraction, but not the processing of our resources.

I believe that the views of the vast majority of Canadians fall somewhere in between these two extremes.

I think most in Canada are concerned about being dominated by the U.S. Most are concerned that the sheer size and strength of the United States will make it difficult for us to achieve our own goals here in Canada - whether the goals be cultural, involving everything from the music industry to our distinct Canadian literature; or economic, involving the development of a more diversified economy, particularly in those parts of Canada which have been less successful in building a manufacturing base in the past.

I think, as well, that many Canadians feel a basic distrust or at least a scepticism towards some of the largest multinational firms that operate in this country. I have yet to see a public opinion poll that shows that Canadians trust multinational oil companies.

When auto companies or aircraft manufacturers lay off Canadians, I believe that even many very thoughtful Canadians wonder if jobs in Canada are not being sacrificed to save jobs in the United States, regardless of the real economic merits of operations in this country or in that.

But along with these concerns, I believe the vast majority of Canadians feel a deep involvement with and friendship for the U.S.

Your space shuttle was our triumph as well. Your indignation at the Soviet invasion of Afghanistan was shared here, as was your boycott of the Moscow Olympics. Our baseball and hockey teams play in the same leagues (but we have our own Canadian football league and governments have, in the past, with general support from Canadians I think, moved to protect the existence of that league).

By the thousands, we spend our vacations in the U.S. Families, friendships, and professional relationships span the border for literally millions of Canadians.

In total, I think our attitude is ambiguous. And that ambiguity is often reflected in government statements and policies that seem to be sending conflicting signals to the U.S., and to U.S.-owned enterprises that do business in Canada. On the one hand, we have various governments in Canada offering incentives to U.S. firms to invest here, and incentives for them to conduct research and development activity here. On the other hand, we have statements from our Federal Minister of Industry, Trade and Commerce, among others, to the effect that Canada should bring in an exceptional set of rules and requirements that would be applied to U.S. or other foreign-owned firms, and we have a national energy policy that, in a single day, reduced the share value of subsidiaries of foreign oil firms doing business in Canada by millions of dollars, and in the process reduced the value of investments made, in good faith, by U.S. citizens, by millions.

And the "tilt", if you like, of our official policies towards the U.S. seems to vary with the attitudes of whichever person is in one or two or three key federal government jobs, not with any clear perception of what we would like the relationship between our countries to be, and not in response to any clearly felt consensus among the Canadian people.

Well, I believe it's important for us to begin to try to build that kind of a consensus in Canada if we are to be effective in our efforts to manage our relationship with our largest trading partner, which also happens to be the richest and most powerful nation in the world.

And I think the first step in building that consensus must be the provision of clear and factual information about the nature of our existing relationship with the U.S. to the Canadian people. The kind of information that we get now always comes one-half at a time. The anti-U.S. group will trumpet figures showing the percentage of various industries that are owned by U.S. firms, or the total of layoffs by U.S. employers. The "no problem at all" group will publish statistics about the number of dollars invested and the number of jobs created and the amount of taxes paid by multinational enterprises in Canada.

The anti-U.S. group will reply with figures showing that some large multinationals pay a lower rate of tax than a taxi driver in Saskatoon. Then the "no problem" people publish information to show that the multinationals are

investing tens of millions of dollars in new factories to create new jobs, in high risk oil exploration operations, in new technology - all responding to stated government policies and established tax incentives in Canada.

You couldn't really call it a debate. It's more like two monologues. And as long as it persists in this way, I believe the policies of our government will continue to be erratic, as measures are taken - first to gain the support or reflect the feeling of the anti-U.S. group, and then to respond to the "no problem" group in the business community.

The importance of the U.S. relationship to Canada - in sheer economic terms if nothing else - is so great, and the need for a clear understanding of the potentials of that relationship and a clear consensus about how we would like to change it, modify it, and what we would like to try and achieve through it, is so urgent, that I don't believe we can afford to continue with this dual monologue approach, with one-half in Saturday Night and the other half in Business Week.

I think Canadians must be provided with objective information describing all the aspects of the relationship, identifying the particular areas that are focuses for debate or concern, and identifying some of the measures that we have taken in the past to try and influence the relationship, and how well those measures have worked.

You know, it's an amazing thing, but even in the Province of Ontario, which has the closest relationship with the U.S., which sells 81 per cent of its total exports to the U.S. market, compared to only 59 per cent for the rest of Canada, the nature of that economic relationship between our two countries has never even been extensively discussed or treated as a major issue in a provincial or federal election. It's as if that part of our government - the management of our international relationships including even the most important of our international relationships - is something better left to the bureaucrats in Ottawa.

But the plain fact is that, if you go through the list of irritants and problems that we face in the relationship now, it's pretty hard to escape the conclusion that the bureaucrats in Ottawa have been making a hash of it.

Lately, of course, we've been so busy looking inwards, and fighting with each other about our constitution, that we've pretty much ignored the rest of the world. But that can't continue.

We have a tradition in this country of royal commissions - of exceptional groups of people who are appointed to take objective and comprehensive looks at matters of crucial national concern.

These commissions generate the kind of objective information that Canadians need to make decisions. They make recommendations, they identify dilemmas, and they do so in a way which is, when they are functioning at their best, not coloured by special interests or biases on either side of debates.

I believe the Canadian government should establish a commission to review the Canada-U.S. relationship, and that the following things should be included in its terms of reference:

1. That the commission should identify and cause to be published accurate information as to the economic relationship between the two countries, and the trends that are taking place within that relationship.
2. That the commission should identify and cause to be published clear descriptions of Canadian government policy over the years with respect to the U.S., and the effectiveness of particular policies in achieving particular stated Canadian objectives.
3. That the commission should seek the advice, and cause to be published the views of major groups representing business, labour, agriculture, and the professions, education and the arts, with respect to the advantages, costs, and problems involved in the current Canada-U.S. relationship in their special fields, and with respect to measures that ought to be considered to improve the outcomes of that relationship from a Canadian point of view.
4. That the commission should examine the various costs, benefits, advantages and disadvantages of freer trade between our two countries, identifying specific adjustments that would have to be made, and specific groups or regions that would benefit, or suffer from movements toward freer trade.
5. That the commission should examine the costs, benefits, advantages, of the establishment of a limited common market, involving parts of the economies of Canada, the U.S., and possibly Mexico, in the light of Canadian interests and objectives.

The surprising thing from where I sit is that, considering the importance to us of the U.S. relationship in particular, and of our international relationships in total - our U.S. friends may not know it but we are roughly three times as dependent on exports in our economy as they are (in 1980 26.4% of Canada's gross national product consisted of merchandise exports; the comparable statistics for the United States is 8.4 per cent).

We have had no such public effort to identify and evaluate the nature of our international relations, or the effectiveness of the efforts we've made to manage them in the past.

I believe that, on the basis of the kind of public dialogue and broader understanding that this commission could create in Canada, it will be possible for us to achieve a clearer idea of what we want from our link with the U.S., and of the things we want to avoid. It will be possible for government to develop and carry out more consistent and effective policies. And, perhaps most important of all in terms of the effectiveness of our efforts to run that relationship on a basis that benefits us, we will be in a position to explain clearly to our partner in that relationship - the United States - just what it is we're trying to achieve.

And that brings me to the second critical step that I believe must be taken by Canadians if we are to succeed in preserving and enhancing our link with the U.S. in a way that increases our independence and health as a nation.

A few years ago, when the Nixon Administration in the U.S. announced a variety of special economic measures to counter cyclical problems within the United States, a U.S. Secretary of the Treasury said publicly that Japan was the United States' largest trading partner. It simply wasn't true. It isn't true today. Canada was and is the largest trading partner of the U.S. The U.S. exported \$35.395 billion to Canada in 1980 compared to \$20.790 billion to Japan, her second largest trading partner.

But our relationship has existed for so long, has grown so gradually, and the ease of dealing together is so easy because of geography and language and business structure, that in many cases the Canadian link and its importance is invisible from the U.S. point of view. It's background. It's given. When we buy too much land, try and claim the same fish the U.S. is claiming, or change the ground rules for U.S. oil companies, we get noticed. When we have the good fortune to be able to help some U.S. citizens escape from Iran, the closeness and the depth of our friendship is remembered.

But still, U.S. engineers plan irrigation systems like Garrison without taking into account the impact runoff waters might have in Canada and the U.S. Multinationals make decisions about Canadian operations on exactly the same basis they would make them about operations in Albuquerque or Tucson, Arizona.

I think we have a big communications job to do, and as I said earlier, I don't think we've done it very well so far. I think it's important for our governments to talk to each other a great deal more than they have in the past - not just at the bureaucratic level and not just with periodic tea parties between our Prime Minister and the U.S. President - but on an ongoing working basis, at the federal and at the state/provincial level as well.

When we do that, we make headway. When the governor of North Dakota and the Premier of Manitoba sat down, they were able to reach general agreements that, if they are carried out by the State Legislature, will mean that Garrison can go ahead in a modified form without endangering Canadian fisheries.

And I believe this national discussion of our link with the U.S. which would follow and grow out of the Royal Commission I'm talking about would have its impact as well in all the thousands of trans-border relationships that exist - between actuaries, between friends - and would contribute to a greater awareness in the U.S. of both our importance to them, and our viewpoint of the relationship.

I have come a very long way from the difference between actuaries and accountants, but I believe that the things I've been talking about are vastly important to Canada, and to the United States as well. The kind of friendship that we have evolved here on this continent is virtually without parallel in the world, and I don't believe that either of our nations can afford to take it and its healthy continuation for granted. I don't believe either of us can afford to have legitimate and natural Canadian concerns for our own independence interpreted as hostility in the U.S., nor legitimate U.S. efforts to further its own interests and address its own problems interpreted as insensitivity in Canada.

That's just not the way friends should work.

There are significant differences between our two countries, between the ways we do things, between our objectives and our expectations, between our positions in the world, but as the French would say with respect to men and women "Viva la difference" - it's still a good idea to get together and have closer relations.

I believe that's what we should be saying about the relationship between our two countries - Viva la difference - but we should recognize that the differences that exist are good reasons for us to work more closely together, that they can enrich our relationship, and contribute to more interesting life in this continent. But perhaps the first step is for us to find out just what those differences really are, and decide just what they should be.