

**Ambassador's address to the Montreal Council on Foreign Relations  
"Canada's agenda in Washington"  
Montreal, Quebec  
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**Check against Delivery**

Good afternoon everyone and thank you Françoise for your kind introduction.

**Je suis très content d'être à Montréal aujourd'hui et d'avoir l'opportunité de vous parler.**

[pause]

In my remarks to you today, I would like to outline some key elements of the Canadian economic record; highlight the continued importance of cross-border trade and investment flows from a national and bi-national perspective. I would also like to give you some insight as to the America that we may see unfold as a result of the midterm elections.

**Le Canada jouit d'une relation incomparable avec ses voisins américains. À chaque jour, 1,6 milliard de dollars de transactions**

**commerciales et 300 000 personnes traversent notre frontière commune. Les États-Unis sont de loin notre allié, notre ami et notre partenaire commercial le plus important. Cependant, notre relation avec notre voisin du sud n'est pas qu'une affaire de chiffres; elle a de multiples facettes et elle a été forgée par des liens de famille, une histoire partagée et un engagement commun pour la démocratie, ici comme à l'étranger.**

Never has this commitment to the advancement of democratic principles been more visible than in Afghanistan, where our troops are leading NATO forces in Southern Afghanistan, alongside our American and other allies. Many of those troops are from or stationed in Quebec – and we can never thank them enough for their continued efforts overseas.

[pause]

### **The importance of a strong, healthy Canadian economy**

I would like to shift your attention to some of the key aspects of Canada's fiscal record and how an economically robust Canada is of great benefit to North America.

Canada exported \$518 billion CDN worth of goods and services globally in 2005 accounting for 38% of our GDP. This resulted in one out of every five jobs in Canada being trade-related – making Canada one of the largest trading nations in the world.

When we look at the Quebec economy – we see that it, also, is heavily impacted by international trade – last year, the province of Quebec exported over \$71 billion CDN dollars worth of goods internationally. I should note that trade does not only come from major companies such as Bombardier, SNC Lavalin, BCE and CGI – Quebec entrepreneurs and mid-size companies are becoming more globally connected and are expanding their global reach.

**Les rapports commerciaux entre le Québec et les États-Unis sont extrêmement importants pour l'économie québécoise. L'an dernier, le Québec s'est livré à un commerce bilatéral de biens de plus de 73 milliards de dollars canadiens avec les États-Unis. (Source : Strategis, 2005)**

- **81 % des exportations de biens du Québec se dirigent vers les États-Unis.**
- **43 % des importations de biens du Québec proviennent des États-Unis.**

**Ces chiffres sont légèrement inférieurs à la moyenne nationale, mais ils sont une bonne indication de l'étroitesse des rapports entre le Québec et notre voisin du sud.**

Quebec has set the standard in many industries – be it computer software design, air and rail transportation, telecommunications, space research and biotech– and it is important that we continue to push research and development in these fields to maintain our position as a global leader in these sectors.

**À l'échelle nationale, de 1997 à 2005, le Canada était en première place du G7 en ce qui a trait à la croissance réelle du PIB et à la croissance de l'emploi par habitant. En mars 2006, notre taux de chômage a atteint**

**son plus bas niveau depuis plus de 30 ans. Tout porte à croire que notre économie va pour le mieux.**

The current economic expansion is in its 15<sup>th</sup> year – which translates into the second longest in the postwar period. And the general consensus from leading economists is that Canada's growth for 2006 will be around 2.8% with estimates of 2.6% for 2007.

Our current account has been in surplus for 28 consecutive quarters, and our total government debt as a per-cent of GDP is down to 26%. [pause] The lowest in the G7.

Couple this with low target inflation, between 1 and 3%, and the purchasing power of Canadians' savings will remain strong for generations to come.

So what do these numbers mean and why are they important in a bi-national context?

Canada's fiscal responsibility agenda was principally focused on paying off debt, controlling government expenditures and ensuring effective and efficient inflation control.

**Ces mesures fiscales ont apporté des avantages substantiels et ont permis à notre gouvernement de jouer un rôle plus actif en Amérique du Nord ainsi que dans le monde entier, notamment en appuyant nos engagements relatifs au développement en Afghanistan ainsi que dans d'autres nations de l'hémisphère occidental et à l'étranger.**

Without this fiscal responsibility – we would be hard pressed, in this post 9/11 world, to find funding options to support items such as defence procurement, development assistance and upgrading our border infrastructure while maintaining our core social programs and services.

I would be remiss if I did not mention the equally impressive and important FDI flows between Canada and the U.S. Canadian FDI to the United States amounted to \$181 billion at the end of last year, a \$14 billion increase from 2004. This amount is fast approaching that of the American FDI to Canada, which totalled \$225 billion at the end of 2005.

**Cette libéralisation de nos économies, grâce aux relations commerciales facilitées par l'Accord de libre échange nord-américain et l'Accord de libre échange, nous a permis de libérer nos économies de leurs contraintes, et d'approfondir nos liens commerciaux.**

And while a strong dollar has put competitive pressure on the manufacturing sector, particularly for those in traditional industries such as textile manufacturing, it is important to consider that the strength of the loonie has also allowed increased investment and purchases of productivity-enhancing machinery, equipment and technology.

This means, in effect, a Canada that has been and will continue to be a trusted fiscal and economic partner of the United States and of our other global economic partners.

**The Roadmap for greater economic advantages and opportunities**

While the numbers I've outlined and our tremendous run of successive quarters of growth are impressive, Canada's continued prosperity—and the quality of life that Canadians and North Americans have come to enjoy—cannot be taken for granted.

We live in a hypercompetitive global marketplace. And while opportunities are as abundant as ever, new competition is emerging and challenging Canada's position as a global economic leader.

New players such as India, China and Brazil have surfaced as major sources of production and service – challenging our presence and dominance in traditional markets.

In virtually all sectors, we are seeing increased competitive pressures. As a matter of fact, China is now close to overtaking Canada as the largest foreign participant in the U.S. market.

**Pour la première fois, au cours du mois de juin (2005), deux mille cinq, nous avons vu la Chine surpasser le Canada dans ses exportations en produits exportés aux États-Unis.**



**Il est clair que l'augmentation spectaculaire des exportations de la Chine ébranle sérieusement notre domination sur le marché américain.**

So the questions are: How can we build on the global competitive platform that we have already put in place? How can we leverage our competitive advantages to ensure North America remains globally competitive?

The good news is that we already have most of the tools in place and at our disposal.

We laid the foundation for economic prosperity with NAFTA.

But in order to remain ahead of the curve and continue to reap the rewards of trade and commerce, our nations must act in concert to build on our complementary strengths. An important first step was establishing the framework provided by the Security and Prosperity Partnership and the creation of the North American Competitiveness Council.

It is also critical that we continue to take the necessary steps to bring our investment and regulatory regimes closer together.

[Pause]

We also need to be working more collaboratively on research and development. And we need to have a better understanding of how North American technology, industry and supply chains can benefit business around the world.

This means being more aggressive in linking our transportation systems on the continent as well as ensuring that our border security measures facilitate, not inhibit, the seamless flow of legitimate commerce and labour.

We see a great example of an integrated transportation network with the Port of Montreal. This port is a key facilitator of container traffic throughout North America supplying the North American industrial base with much needed primary resources and supplies on a just-in-time basis.

20,000,000 tons of cargo are processed annually at this port – one that has been classified as one of North America’s safest. Given the dynamics of the globalized world we live in, we need to ensure that our sea, land, rail and air cargo transportation systems are both secure and fluid at the border. Our continued economic prosperity depends on this.

Domestically, Canada must continue to leverage its position as the most economical business destination in the G-7, boasting not only competitive business costs but also a well-educated and motivated population.

### **A Challenge we face: the border**

As I highlight the great economic opportunities and our shared prosperity in our major trading relationship with the United States, there is one major overarching issue on our agenda that represents a continuing challenge - the border.

In recent years and months we have seen what I refer to as a ‘thickening of the border’.

I am specifically referring to incremental measures that result in additional costs or delays in crossing the border. An example is the US Department of Agriculture Animal and Plant Health Inspection Service (APHIS) interim rule, which amounts to a tax on airline passengers and all commercial conveyances (Ships, trains, trucks, aircraft) for U.S. agricultural program inspections --- for which a need has not been demonstrated.

But the larger challenge facing us – the Western Hemisphere Travel Initiative (WHTI) has both trade and travel implications.

Before I go into more detail, there is a question we must ask ourselves:

“What kind of border do we want to have?”

This is not a question merely for Canadians – it is one for our American friends as well.

**En tant que Québécois, vous êtes conscients des liens familiaux et commerciaux que nous entretenons depuis longtemps avec les Américains. Ces rapports commerciaux et personnels de longue date remontent au temps où nos nations respectives n'étaient que de simples**

**postes de traite. Et, cet écho se fait toujours entendre aujourd'hui, après tout, Plattsburgh (New York) est encore appelé la « banlieue » de Montréal.**

These border thickening measures could have a profound economic effect on the decision-making of the day traveller, the impulse traveler, or the many who cross the border to visit family and friends, shop or come to one of Montreal's cultural and entertainment events such as the Jazz Festival, F-1 weekend or the Montreal film festival.

The WHTI initiative, in its present form, would mandate Canadians travelling to, and Americans re-entering the United States to carry a passport or other secure documents. The US Government recently announced the development of a passport card for US citizens.

Effective January 23, 2007 all Canadians travelling to the US, and Americans re-entering the United States by air must carry a passport. Canadians are encouraged to get a passport before WHTI is implemented and to carry it when travelling to the US.

The WHTI will not come into effect for those traveling by land or sea until a later date. Specifically, the US Congress agreed that implementation could be as late as June 1, 2009. However, early indications are that, despite the provision for a delay by Congress, the US Administration intends to implement WHTI fully before June 1, 2009. Canada is concerned that rushing implementation for land and sea will result in confusion and delays at the border, which will undermine both of our countries' economy.

Canada is a strong and trusted border security partner as demonstrated by our financial and resource allocations since 9/11.

But border security is much broader than just secure documents – the border, after all, is a complex, multifaceted entity. Maintaining a strong border means extending our longstanding commitment and relationships through cross-border intelligence sharing and law enforcement – not through the implementation of measures which would impede the legitimate flow of commerce and people.

What the Government of Canada is advocating is that all the time and flexibility provided by Congress should be used to ensure that there is a

measured approach to land and sea implementation that will avoid confusion and delay at the border. We, at the Embassy, are working on this with our counterparts in Washington, as well as on determining which documents, other than passports, would be acceptable for those traveling by land or sea once the WHTI is fully implemented.

[pause]

Getting back to my earlier question – what kind of border do we want to have?

As Canadians, we don't want the WHTI or any other border related initiative to undermine trade flows which have benefited significantly from NAFTA.

But neither should Americans.

**Comme je l'ai déjà souligné, un Canada muni d'une économie robuste signifie un continent nord-américain plus avantage et plus compétitif.**

[Pause]

**Nous ne devons pas, à tout prix, créer des obstacles qui empêcheraient nos interactions historiques de continuer.**

[Pause]

Our integrated economies, joint production and supply chain management systems exemplify the longstanding commercial ties of our two nations.

Let's not jeopardize this productive alliance, and NAFTA, the foundation of our economies, with the risk of costly delays and confusion at our borders.

We will continue to engage the Bush administration on this issue. And we will also be assessing the attitude of Congress as a new leadership and new members set their course.

**Take this message to them**

As Montreal's business and community leaders, you have a role to play, along with the government and the Embassy, in getting this message through to key U.S. decision makers.



**Dites leur, qu'un Canada fort et qu'une économie canadienne forte sont dans leurs meilleurs intérêts.**

**Dites leur, aussi, que le Canada est leur plus important client – que nous importons plus de produits que l'ensemble de tous les pays de l'Union Européenne.**

Tell them that we are ensuring that our border is the most secure and safe – but that it is also critical that we don't thicken the border and dam the flow of legitimate commerce and people - the key element of our respective economies.

### **Canada's commitment to the global and hemispheric issues**

I would like to spend some time highlighting another facet of our Washington agenda - Canada's commitment to global and Western Hemispheric issues. Something that I like to refer to as 'our common cause' issues.

One of our global, common cause, commitments is to uphold and promote shared democratic principles. These commitments are at the forefront of our current mission in Afghanistan. Canada is heavily engaged, along with our NATO allies, in bringing security and development to this fragile nation – one that became a source of tyranny and instability under the Taliban.

**Mais il est un aspect important de la mission du Canada en Afghanistan qui passe souvent inaperçu. Outre son engagement militaire, le Canada est actif sur le plan de l'assistance au développement, aidant le peuple afghan à remplacer le conflit par la paix et la stabilité. Mais cette aide au développement ne sera efficace que si nous instaurons la paix. Un nouveau pont ou une nouvelle école ne sont pas très utiles s'ils sont détruits à peine construits. Ne l'oublions pas.**

**L'Afghanistan est le plus important bénéficiaire d'aide canadienne - nous avons pris l'engagement d'aider ce peuple à devenir une nation démocratique ouverte et prospère.**

[pause]

But our work does not stop there. Canada is also a leader in the Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. This partnership's purpose is to prevent the proliferation of weapons of mass destruction to terrorists or those who support them by securing or destroying weapons grade material in the former Soviet Union.

With security and arms control a dominating issue on the world stage, Canada has and continues to step up to the plate in ensuring international security - we are preventing those who wish us and our allies harm from acquiring weapons and material of mass destruction.

Plus près de nous, dans l'hémisphère occidental, le Canada est toujours impliqué en Haïti [pause], où il collabore avec d'autres pays pour essayer d'apporter la stabilité et la sécurité à un pays qui souffre depuis trop longtemps de la violence et du désordre. L'ACDI et Élections Canada aident actuellement le peuple haïtien à tenir des élections locales transparentes, ce qui est une étape cruciale pour ramener la stabilité dans l'île.

And we continue to monitor the Cuba situation as we may soon see a transition from 47 years of domination under Castro.

Also in the Western Hemisphere, I'm sure that most of you are following and reading about the deteriorating business climate in parts of Latin America. With the threat of resource nationalization, we are actively engaged with the United States and a variety of multi-lateral organizations, including the Organization of American States, to assist in governance and institution building. A critical element in demonstrating why free and open trade is mutually beneficial and essential in today's interconnected global economy.

Canada will continue to work closely with other countries and NGO organizations to strengthen democratic institutions and practices such as electoral and legislative systems. After all, it is in our collective interests to see a strong Western Hemisphere and a stable Afghanistan.

Canada's reputation abroad gives us a unique advantage. We have a model system of government that works well and institutions that are efficient. In the diplomatically delicate business of giving help to those on the path to democracy, our reputation and our vast wealth of experience with the

problems facing emerging democracies make us the logical and preferred choice of those in search of help

Today's generation of Canadians face a very different world than our ancestors did, but their underlying mission is the same. The 21<sup>st</sup> century, and the challenges we face in a post 9/11 world, demand the same intensity of conviction and commitment in the global pursuit of democratic institution building.

All this to say, Canada will continue to play a major role in global and hemispheric affairs.

### **Looking ahead: the recent midterm elections and what this means for Canada**

I'm sure that many of you watched the results of last month's U.S. mid-term elections with great interest.

With the shift of power in Congress to the Democrats – it is a very interesting time in Washington. We have not seen such a shift since 1994 when President Clinton was in the White House and control of the House shifted to the Republicans under Newt Gingrich. You may recall their “Contract with America”.

To briefly recap, we witnessed the most expensive mid-term election campaign in American history. And one of the closest and most fiercely fought in recent times that resulted in a decisive swing.

In the House we saw a 29 seat swing to the Democrats –and we are still waiting for the final results for one more seat as well as two which are headed for a runoff election.

In the Senate – ultimate control rested with the results of Missouri, Virginia and Montana - all of which swung to the Democrats.

No Democrat, running for re-election in the House or the Senate, lost their race. And no open Democrat seat was lost.

And while both parties secured the votes of over 90% of their base, the difference came from the fact that Democrats won the independent vote by a margin of 2:1.

So what were the big factors motivating American voters?

Along with concerns about ethics and corruption, the economy, and homeland security - Iraq was one of the most prominent drivers shaping voter intentions. This issue will continue to affect relations between the Democrats and the White House in the next Congress.

Given the resignation of Donald Rumsfeld on the day following the election and the convening of a strategic review by the President – it is clear that a different approach to the American strategy in Iraq is likely to surface.

The President himself has admitted that he has “not been satisfied” with the progress in Iraq and that “there is a need for adjustments in the Iraq policy”.

The Baker/Hamilton commission, appointed by Congress six months ago, released their report yesterday – and we have learned of some of their key

recommendations. It will be interesting to monitor the Administration's reaction and subsequent position on implementing the formal recommendations.

Former Secretary of State Jim Baker has said "We expect that there will be some things in the report that the Administration might not like". He has also said that they must consider options between 'staying the course' and 'cut and run'.

It is of course too early to know what will happen. But we know that the American public and Congress are restless and are demanding change.

Moving past the election – the big question is – what will the next two years look like:

It may mean a continuation of partisan politics which would present a significant challenge to the Administration as well as the House and Senate leadership.



But leading Democrats, as well as Republicans, are making strong statements in support of bi-partisan cooperation. The clear message from voters is that they want Congress to work, they want action on the day-to-day issues, in addition to Iraq, and they are fed up with the bitter partisan politics that has been evident in recent years.

So what do the results mean for Canada and Canadian-American relations?

No matter which party controls the House and the Senate – our strategy at the Embassy remains the same. With our network of Consulates throughout the United States, we will use is a three-pronged approach: - engaging the Administration, Members of Congress in Washington, and in their home districts.

It is important that we understand the American system and which spheres of influence present valuable opportunities to advance the Canadian agenda and our point of view.

It is with this in mind, that we at the Embassy, together with our government colleagues, look forward to working with the 110<sup>th</sup> Congress in January.

[Pause]

## **Closing**

**En terminant, les relations entre le Canada et les États-Unis me tiennent à cœur, comme à beaucoup d'entre vous. Ces sont des relations dont les racines proviennent d'une histoire partagée entre familles et amis, et d'un engagement commun à l'innovation et à la prospérité économique.**

**Ce sont des relations que nous devons continuer de cultiver de manière constructive pour que les futures générations de Canadiens et d'Américains puissent continuer de cueillir les fruits du partenariat économique et de sécurité le plus fort du monde.**

[Pause]

Thank you for your time – and I look forward to taking some of your questions.