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## Address by Minister Day to World Affairs Council of Dallas/Fort Worth

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# ADDRESS BY MINISTER DAY TO WORLD AFFAIRS COUNCIL OF DALLAS/FORT WORTH

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Based on a Transcript

IT'S wonderful to be here. But before I get started, I'd just like to acknowledge the work of our office [the Consulate General] here-our consuls, trade commissioners and the others who are here to serve you are doing a great job.

I also want to tell you that I consider U.S. Trade Representative Ron Kirk a friend. We have met a number of times to take on the issues-tough issues-and obviously we are advocating not just for our individual countries, but also for trade agreements. So we have a great working relationship, and since he's a great guy, a great personal relationship too.

I'm here to talk about NAFTA, the North American Free Trade Agreement, but I am, and I've always been, impressed with Texas. My wife and I visited many years ago, and I've noted there are many similarities between areas of Texas and areas of Canada. Alberta, for instance, has the same kind of can-do attitude-an example of the let's-just-get-the-job-done sort of spirit that exists in many other parts of Canada too. So we really identify with you, our friends here. And what's gone on in this city is fantastic.

There's a global recession, a downturn. You should be nervous and tentative but you're not; you're simply going straight ahead, and I appreciate that. All the people who are watching you-we certainly are-and what you're doing around the world find that very impressive. So we have plenty of great things to talk about together-like hydrogen buses, which we've talked about already. So congratulations on what you're doing for your city and all the best in the future.

All to say, this does show that policies make a difference and that issues like taxes are important. And the amount of regulatory weight that we put on businesses-on workers, on producers, on innovators-makes a difference. Governments have to be careful. We need taxes and regulation, to protect our citizens and our consumers, but the taxes and regulation can be excessive. And at least according to The Economist, the various levels of government in Texas seem to have an understanding, an eye for that, and that understanding is bringing positive results. Again, I congratulate you on that.

We are delighted to talk about something that we actually like to brag about. First, you, this particular council, are well known internationally for what you do, the way you bring people together, the issues, the many great initiatives you take on. For example, the world is familiar with your education initiative. You're to be congratulated. I guess that's why you attract such great speakers!

I don't want to be modest about this incredible relationship that we share. First of all, although I'm here for the trilateral discussions for the North American Free Trade Agreement, I have to say that the Canada-U.S. relationship is fantastic, not just trade-wise. Our historic friendship is truly exemplary. Granted we have issues that come up that have to be dealt with-but I think it's a model around the world of how two countries, living peacefully side-by-side, can work through so many issues.

We haven't had a military skirmish between us since 1812; so we are not modest about our relationship. And we're not modest about the free trade agreement that began back in 1988 between Canada and the United States. And that particular agreement yields just under \$2 billion a day in trade that crosses our borders. That's huge. Our two countries share the most successful contemporary trade relationship in economic history, albeit with challenges that go along with it.

Canada is in fact the first export market for 35 U.S. states. Somewhere between seven and eight million jobs are directly dependent on the Canada-U.S. free trade alone. That paved the way for the North American Free Trade Agreement that includes Mexico; since 1994, trade has tripled between our three countries. The merchandise trade alone is worth over \$1 trillion, and I believe the overall GDP value is around \$17 trillion. Did you know that among us, these three countries, we account for 28 percent of the world's GDP? This is a robust, aggressive relationship, and I say that in a positive way-it's a relationship about which we should not be modest. There's much to talk about in terms of what countries with various strengths and weaknesses at various times can do to overcome their issues and their challenges.

Since NAFTA was implemented, we have significantly increased our trade with Mexico and, as you have also done on the trade side and in other areas, we want our three countries to work together to make sure that the opportunities for our workers, our businesses, all our people, continue. And that means we have to deal with issues from time to time.

We three trade representatives [Minister Day, Ambassador Kirk and Mexican Secretary of the Economy, Gerardo Ruiz Mateos] will be talking about those issues starting on Monday or perhaps late Sunday night.

The collaborative ventures that have taken place between Texas and Canadian companies-even ventures between north Texas alone and Canadian companies-are very significant. Companies such as Onex, Magna and RIM, the maker of the BlackBerry. (I was pleased when the U.S. Secret Service decided to let President [Barack] Obama keep his!) Bombardier too has a great facility here, a huge investment in terms of the

ongoing repair and maintenance of aircraft. So these are just examples of highly successful relationships-and this isn't even getting into oil and gas, which is a very significant area. But of course I don't have to tell you Texans that. I don't think most Americans are aware that Canada is actually the largest foreign supplier of oil to the United States. It's not Saudi Arabia; it's not other parts of the Middle East; it's Canada.

And we have established some great collaborative science and technology and research initiatives together. We've just recently announced one related to nanotechnology that's looking at the products, and the by-products, that come out of our oil sands-the largest reserves in the world of what will be made into oil. These are the types of realities that bring us together. Whether we're talking merchandise, whether we're talking oil and gas, whether we're talking education, science and technology and joint ventures, these things keep us motivated; they keep us going.

But any relationship has its challenges, and NAFTA is no exception. Things come up that we have to deal with. One of the strengths of NAFTA is that it is driven by our practice of consulting intensively with various chambers of commerce, manufacturers, export organizations and associations, and business people like you. And when I'm meeting with our business people or going abroad, what I like to do is start the conversation by asking, "What are we doing in government that's making it difficult for you to do business?" By that I mean issues beyond taxation and regulations-a certain level of which is necessary. It's important that we start that conversation. Especially in light of the global realities of today, which include huge markets, huge exporters like China and others.

The Government of Canada has to make sure its view fits in with its economic philosophy. So the pragmatic approach that we take is to say to businesses, "We want to make your tax level as light as possible. We want to make the regulatory regime as practical as possible. We don't want to tell you where to trade, where to do business, but wherever that may be, we want to make sure the load is as light as possible so that you can focus on the things that you need to do, things that matter most to you.

As government representatives, when we speak in foreign countries-by the way, I never see the United States as a foreign country-we can do one of two things. We can either talk about ourselves using our own material-but that's propaganda, and we're one of the few countries that doesn't use it!-or, and this I find far more effective, we can talk about what other people say about us, in which case we can't be accused of inflating anything. So it is significant that the World Economic Forum has identified the Canadian banking system as the most stable in the world. I'm saying this to those of you who are not already engaged in ventures with Canada but who are thinking about it. There are some positive things to consider.

For years, our banking laws have been called "very conservative." We believe that banks and other national lending institutions should have a certain level of assets on hand before they start lending. We believe in

taking simple precautions; for example, lending shouldn't be allowed to spiral to certain levels without the asset base to back it up. Our banking system has been accused of being boring for a long time, but this year, it's considered exciting. It seems that "boring" is now the new "exciting." The World Economic Forum has deemed that we have a very stable banking and financial system.

The International Monetary Fund looked at our stimulus package and where we were at the beginning of this very unfortunate global downturn, and it said that among the industrialized nations, as one of the G8 nations, Canada was the best-prepared going into this recession and is the best-prepared to come out of it. So these are positive indicators.

I appreciate the ambitious but necessary level of stimulus that your government has put into place in the United States. That package is doing much to invigorate the economy at a very difficult time, and we appreciate that. We also talk about the stimulus package that we have put into play and the international recognition that has gained. The OECD [Organisation for Economic Co-operation and Development] has said that Canada's business and corporate tax structure is the most competitive among the G8, and we'll continue to maintain that. We've mapped that out to 2014 because we believe that taxation should be transparent and predictable so that you can make the decisions you need to make.

Overall our federal tax system receives very positive ratings. Now we combine that with very positive programs related to research and development, innovation, and science and technology agreements, all of which are compliant with NAFTA and with World Trade Organization rules.

So when you combine that with something that is observed internationally about our workforce-I heard again today from some people who have invested heavily in some of the businesses in Canada talking about a workforce that is motivated, highly educated and willing to do all it can to make your business a success-you get a sense of the positive attributes that others point to about our situation in Canada.

Obviously, you've got a lot of that working here in Texas; I mean, there could be more Canadians in the audience right now than Americans! We have many Canadians here who have seen Texas as a positive place to do business, to raise families, to live and to enjoy themselves. And there's much Canadian investment that is going on here in Texas, and we encourage that and want to see that continue.

There are challenges, as I said, in any relationship, and this is the point where I'm going to try to engage you all as unofficial volunteer ambassadors because you understand the importance of free trade, what it is all about. And I'll be as honest with you as I am with Ambassador Kirk: as committed as we are to the NAFTA relationship, we are also committed to the World Trade Organization. Over time, that organization has done very well to lower tariffs and regulatory walls, but it takes time. After all, it involves 154 countries. Sitting around your council table you can imagine how difficult it is to deal with one basic issue with a relatively small

group of people. Can you imagine 154 different countries trying to get agreement on things like tariffs, sectoral issues, and modalities? You know, this is a major accomplishment because these things get very complicated.

So we are committed to the WTO, but we recognize it moves at a sort of glacier-like speed. And for that reason, we are actively pursuing bilateral trade relationships around the world. Just in the last little while, we have signed free trade deals with Jordan, Colombia, Peru and Panama. Our prime minister was in the Czech Republic a few months ago, where he announced the start of negotiations with the EU. That's 27 countries altogether. And I was in Trinidad and Tobago about three weeks ago where we signed an agreement to begin discussion on a free trade agreement with the countries in the Caribbean Community.

I don't mind telling you that, in getting some of these free trade deals, we were ahead of the United States, which is great for us because it means our producers, our workers and our exporters have a bit of an advantage over you folks. I tell you that now because I believe that when neighbours trade more freely everybody benefits. So I share where we're getting ahead with you while acknowledging that, thanks to some aggressive action by your legislators, you're ahead elsewhere. So it balances out.

I'd like to talk about the rollout of the Buy America legislation, to do with your stimulus package of some \$790 billion. We get so used to talking about these large numbers: about "trillion-dollar deficits." The problem with talking about those numbers is that they seem so impossible to our voters, our taxpayers, who may simply stop paying attention. But we're talking about real money here. As public servants, we can get into trouble for paying \$38 for a business-related dinner it seems. But a trillion-dollar deficit? People's eyes glaze over and they let it go.

These are very large numbers we're talking about—\$790 billion for your basic infrastructure package, that's a very significant number. The Buy America package that is being rolled out has turned out to have some protectionist provisions in it, which are hurting the ability of Canadian provinces and municipalities to bid on quite a range of projects in the United States. That's one of the main items that Ambassador Kirk and I will be discussing in our bilateral talk on Monday. Our government has put together a proposal for the U.S. government, and it is being actively considered. He [Kirk] has put his chief negotiator to work on this issue, and I've got our chief negotiator working on it. We're hoping to resolve this.

So feel free to share the joys of free trade in your discussions with legislators, people with diplomatic influence. I don't have to tell business people like you that our economies, our various businesses, are so integrated in terms of supply chains and vertical and horizontal integration that if one business gets hurt on one side of the border, another will get hurt on the other side. When it comes to trade walls going up, everybody winds up getting hurt.

These are some of the things that we'll talk about with you, our volunteer ambassadors, and I'm happy to recruit as many of you who feel able. When you have the opportunity to talk about the importance of free of trade, and when you trade ideas and when you trade processes and when you trade products and when you trade technologies, everybody benefits in the longer term. And that has certainly been the experience since the beginning of the Canada-U.S. trade agreement, an experience that has certainly improved with NAFTA. People here in Texas understand that in a unique way. I congratulate you for that.

Thank you for being part of a partnership that keeps our economic engines running, even in a global downturn. Workers, families and our economies are helped by that. I appreciate your insight and your vigour and look forward to continuing to work with you. Thank you.

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