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Thank you, Lee, and my congratulations on your new career as Director of the Woodrow Wilson Center. I am sure it will be as brilliant as your first career in Congress.

You were always a good friend to my country while you were on the Hill. I believe, therefore, that your taking charge of the Center provides a great opportunity to deepen its ties with Canada.

In this regard, I have a few ideas that I will pass on to you at the end of my presentation today.

Ladies and gentlemen, it is a real pleasure for me to have this opportunity to be with you today.

I am especially glad to have the chance to talk about the subject that I know best: Canada.

I must tell you that today I am very proud of my country.

I also feel great satisfaction regarding our partnership with the United States and our other allies. It is at moments of challenge that friendships are tested.

We are experiencing such a moment now. We have all watched with great alarm the latest spasm of ethnic warfare in the Balkans.

Standing on the eve of the new millennium, I was beginning to fear that we were about to see a re-run of some of the bloodiest history of the 20th century.

This prospect seemed very different from the vision of civilized globalism that some have promised for the 21st century. But a couple of recent events touching my country and yours suggest that the locomotive of history is still moving jerkily forward, not backward.

Let me start with the strong response of our two countries and the rest of NATO to the crimes against human security taking place in the heart of Europe.

Canadian CF-18's are flying today beside your own forces, wing to wing. This is only the most recent of the many times we have stood together in the great conflicts of this century.

This same unity of values and purpose was reflected in the NATO summit just concluded. As founding members of NATO, Canadians share your interest in re-inventing the alliance for the post-Cold War world.

It was extremely heartening to see the tremendous unity with which the leaders of the NATO alliance left the conference.

This singularity of purpose has, I understand, even been noted in Belgrade.

On a broader note, we can all cheer the consensus that NATO must continue to act as a critical focal point of collective security and political stability.

The other recent event that made me very proud of my country was decidedly domestic, quiet and very Canadian. It was the creation of Nunavut, a vast new self-governing territory with an Inuit majority in the Canadian Arctic. This tremendous event was twenty years in the making.

The creation of this new territory demonstrates the unique value of federal systems. I remain convinced that truly democratic federalism is a most appropriate way to balance local authority with broad national coordination.

This reaffirmation of the flexibility of the federal system is a very encouraging sign in an era marked by the horrors of Bosnia and Kosovo. I would note that Canada will be hosting a major international conference on federalism in Mont Tremblant, Québec this fall.

These two examples show just what an exciting place Canada is as we enter the new millennium. Canada is an actor on the international stage, but also a remarkable testing ground for the theories and practicalities of governance.

You Americans know quite a few things about Canada. Therefore you are probably not surprised by these two different sides to the national character of your northern neighbour.

Indeed there is a real and lively connection between Americans and Canadians. I am always struck by the number of Americans I meet who have ties with Canada; a Canadian parent or grand-parent; business links; or a favourite vacation spot. For the majority of Americans, Canada is the most familiar of foreign countries.

In fact, I expect many of you hardly think of Canada as "foreign" at all. That is not hard to understand.

We share so much, historically, economically, culturally and linguistically. And the ties just get stronger.

I was recently in Dallas where I was delighted to find that there, they can fill an arena with 20,000 people to watch a game of hockey, our national sport. This is only one example, but a very important one, of how something uniquely northern and very Canadian has become a part of your culture.

Canadians talk a lot about the strength of the U.S. cultural influence in Canada. I have noted in my time here that there is also a remarkable degree of Canadian influence in U.S. society.

We Canadians, however, are something like "stealth" aircraft. There are Canadians everywhere in the U.S., some of them among the most recognizable public figures. Just think of Peter Jennings, Wayne Gretzky, Michael J. Fox and Morley Safer.

Not to mention John Kenneth Galbraith, Robert MacNeil (of the MacNeil Lehrer report) and Celine Dion, Shania Twain and Alanis Morissette, who together sold more than 200 million records last year.

And in your most influential centre for the creation of the American image, Los Angeles, there are upwards of 500,000 Canadians. All perfectly camouflaged!

Ours is the best and closest relationship of any two countries in the world. Of course, we have occasional differences: any relationship as vast and comprehensive as ours does. But, our problems are carefully and successfully managed through an array of strong institutions and long-standing habits of consultation.

Of course there are some subtle but important differences between us. Our separate experiences have shaped different national characters; different national styles and approaches to the North American challenge.

This extends as well to the ways in which we approach world affairs. In terms of colonial history, Canada and the U.S. are two vines growing from a common European root. Each explored and developed half a continent. And each of us chose independence from Europe. But you did so suddenly, under the banner of a revolution proclaiming liberty and the pursuit of happiness. We did so gradually, evolving out of our colonial past with our trust in peace, order and good government.

Our smaller population, our geography of vast open spaces and huge distances, and our severe climate, have given Canadians a northern, practical character. We are distrustful of ideology, easy solutions, and imperial ambitions.

We are drawn naturally to compromise and consensus. Canadians have always had to work together to avoid disaster at the hands of our weather and geography. I know that Canada "feels" very familiar to most Americans.

You do indeed know a lot about us. But I am often struck by the things you don't know about us. I especially believe that most Americans don't fully appreciate the importance of what happens in Canada for the United States.

My objective today is to help sharpen that somewhat fuzzy image of Canada. I would like to talk to you about what is happening in a number of key areas in Canada.

I hope you will come away with a clearer sense of what is going on north of the border. And also why it matters for the United States.

First, the economy. How many Americans appreciate what a successful, modern and diverse economy exists north of your border? How many Americans know that we are your largest trading partner?

Indeed, more than one billion dollars' worth of business crosses our border every day. That remarkable figure sums up the world's largest and most comprehensive trade and economic relationship.

We Canadians believe strongly in the benefits of open economies and global integration.

In Canada, the challenges of the global economy were central in getting our economic house in order.

Between 1994 and 1998 we went from having the second highest fiscal deficit in the G-7 to a budget surplus.

Like you, we have moved to smaller, smarter government while preserving critical national programmes.

We were the first G-7 country no longer borrowing new money on capital markets. And I am happy to say that our debt-to-GDP ratio continues on a steady downward track.

We are seeing the payoff of this transformation. Investor confidence in Canada has strengthened. Interest rates are the lowest in decades. Unemployment has fallen to its lowest level in nine years. Certainly international financial turbulence has had an impact. But we have weathered this storm better than many had forecast and our GDP growth remains strong.

Canadians are more confident than ever about our capacity to compete and win in the world market place. Our businessmen and women have stretched their wings far beyond the shores of Canada and indeed this continent. But we do recognize that our outstanding cross-border economic relationship with the United States is the foundation of our success. It is composed of an extraordinary web of private linkages among Canadian and American businesses thinking globally. It is our job and yours -- to make our border even more open, efficient and user-friendly.

The strength of our economic relationship, of course, reflects deeper bonds of trust and cooperation. These have grown from shared fundamental values: freedom, democracy, federalism, tolerance and respect for diversity. Both our countries were built by millions of people from around the world who came seeking a better life. In the United States, they came together in a melting pot; in Canada, they have pieced together a rich and complex mosaic.

Canada was founded on a commitment to protect differences in language and culture. We believe that our two official languages, English and French, and our multicultural heritage are sources of strength. Today, when so many countries appear, tragically, to be going the other way, we see the tolerant society we have built as a model for the world.

You Americans are unabashedly patriotic, for good reason. We Canadians tend to be a bit quieter on that subject. But our love of our country runs deep, very deep. We are particularly proud of the achievements of our society in the social field. We have a considerably more equal distribution of income in Canada than in the United States.

Our system of publically financed health care has become part of the fabric of our society. In Canada, no one need fear that medical bills will result in financial disaster. Patients have complete freedom to choose their doctors, and the total cost of health care as a share of GDP is lower than yours. Like you, we are facing challenges in financing our health care system. But our government, with the support of the vast majority of our population, is determined to secure and expand it for the benefit of all Canadians.

Our sense of order and community is also found in our commitment to safe streets and cities. We have some of the toughest gun control laws in the western world, and they are being made even tougher. Let me be clear: the

type of tragedy that took place in Colorado last week is not impossible in Canada. No parent in my country or yours will soon forget the nightmare that unfolded in Littleton. But it must be said that the legal safeguards we have in place make it much, much more difficult for guns of any kind to get into the wrong hands.

The quality of Canadian society and the strength of our economy are interlocking pieces. One cannot be advanced apart from the other. For us this means not losing sight of those who are less able to compete for life's chances.

A key feature of the Canadian identity has always been our willingness to support both the promising and the vulnerable. We pride ourselves on these values. They have helped Canada earn the number one ranking in the U.N.'s human development index for years now.

Through determined action on our public finances, our government has regained the ability to address the priorities of Canadians while living within its means. It is now in a position to make strategic investments in our young people, our health care, our communities, our knowledge and creativity. Canada leads the G-7 in the use of home computers, and in access to cable and telephone networks. We have the lowest telephone and Internet access costs anywhere. We also enjoy the lowest software production costs in North America. Indeed, the World Economic Forum ranks Canada as number one in the world for the quality of our workforce in the high tech and knowledge sectors.

This year, Canada will complete our Schoolnet Program, which will connect every public school and library to the Internet. By next year we will have public Internet connections in 10,000 rural and urban sites, and we will soon have the world's fastest research network.

The pay-off in the high tech area is real: this sector has grown twice as fast as the rest of our economy. And Canada is home to a host of new high-tech companies, producing products like the Canada Arm for the Space Shuttle, and computer graphics for movies like Jurassic Park. A transformation is taking place across our country. Montréal has become a world centre for aerospace; Bombardier is now the third largest aircraft manufacturer in the world. Saskatoon is now a major bio-technology centre. And the term "Silicon Valley North" aptly describes the intense concentration of computer research, design and production in the western suburbs of Ottawa.

All of this is good news for the United States. A prosperous Canada is naturally a rich and growing market for your exports (23% of them now come to my country).

We help maintain North America as a strong and productive base as we face global challenges together. The values our two countries share are not limited to domestic issues. We have been partners together in the great international causes of this century. We fought side-by-side in two world wars. We stood together in NATO and the Conference for Security and Cooperation in Europe to end the Cold War. We were together in the Gulf. And we are working to advance democracy and human rights in places as diverse as Haiti, Bosnia and, now, Kosovo. Together we built the great institutions of the twentieth century -- the U.N., NATO, the IMF and World Bank, the GATT and the WTO.

These provide the framework for today's global economy and the political and security cooperation that support it. Of course, we still do have some differences in the area of foreign policy. This is natural, even between the best of friends.

We disagreed, for example, on Vietnam.

And although our goals for Cuba are almost identical, we do not agree on the best approach to take. We have chosen engagement, you, embargo. But what I find striking is how few real frictions there are in our huge relationship.

Canadians also understand the special pressures and burdens that go with being the world's sole superpower. The United States truly plays a unique global role in managing conflict and forging international cooperation. But it is not in the world's interest that the United States bear these burdens alone. There is safety, and indeed strength, in numbers, as we contemplate the perils and opportunities of the post-Cold War world.

Canada is confident in its ability to make an important contribution to international peace and stability. I strongly believe that our distinctive approach is complementary in every way to U.S. values, objectives and interests.

The U.S. is indeed the world's indispensable nation, and you have an indispensable partner in Canada.

Last year Canada was elected to the United Nations Security Council. Now you know that we Canadians take the United Nations very seriously. That is in our DNA. When we last held a seat on the Council, ten years ago, the certainties of the Cold War were just beginning to break down.

Since then, the world has changed a lot. Peace and security remain at the centre of all our concerns. But the basic definitions have changed and are continually evolving. We still have to deal with traditional inter-state military

conflicts. But breaches within states of basic human rights and international norms have become epidemic in today's more fluid international setting.

Other threats, often trans-national, are increasingly pressing. Drugs, terrorism, pollution, and weapons proliferation do not stop at any border. And they have a direct impact on our citizens, the safety of our streets, the air we breathe and the quality of our lives. We all know these cannot be solved by nations acting alone. The common denominator of these new realities is their human dimension. The safety and well-being of the individual -- human security has become a new measure of global security.

This is not to say that traditional security concerns and tools are obsolete. Far from it. Human security and national security are two sides of the same coin.

You cannot have one without the other. Canada's foreign policy is increasingly and properly focussed on issues that strike directly home to the individual. Issues such as landmines, the International Criminal Court, small arms proliferation, drugs and the exploitation of children. This approach adapts our longstanding goal advancing the national interest while building a better world to the new international circumstances.

The Canadian vision increasingly requires the use of the tools of what we call "soft power". This means negotiation rather than coercion, ideas rather than weapons, public diplomacy and transparency rather than secret backroom bargaining.

One of the most important elements of our foreign policy is dialogue, and that means listening as well as speaking.

We know that strong measures, including sanctions and military force, are sometimes needed. Canadians have fought and died in defence of freedom and security, including in two world wars. In World War I, for example, we had one million Canadians under arms. That was 10% of our population!

But for us Canadians, military action will always be the course of very last resort. To conclude, scholars seem to agree that a more diffuse but more connected world is a more difficult one to manage.

The Canada-U.S. relationship in many ways proves the opposite case. Together we have woven a fabric of agreements and arrangements to manage the most comprehensive relationship anywhere.

But we are now facing another tidal wave of change to which we will have to adapt creatively. The effects of globalization on both our countries are breathtaking. The sheer pace and scale of change can be traumatic.

Despite our strong economic performance, anxiety exists about the future. This uncertainty can feed an impulse to circle the wagons, to believe that we can protect ourselves by closing ourselves off from the world.

What is troubling is that this mood has even infected the U.S. debate about the benefits of trade. My friend Alan Greenspan stressed at the Dallas Ambassadors' Forum two weeks ago that keeping the system open is a critical challenge for the United States and the international community.

The United States was one of the master-builders of the post-war international system. Fashioning the architecture of international cooperation after World War II was a momentous achievement.

It is the cornerstone of the unprecedented prosperity and security that the western world has since enjoyed. There is no substitute for the continued leadership of the United States in sustaining the international system.

I know that you in this room recognize the benefits that flow from an open international system. But you must make your voices heard in support of U.S. international engagement. Also the defence of continued liberalized trade and investment. This is even more critical in light of the continuing vulnerabilities in the economies of Asia and Latin America.

The resulting increase in the U.S. trade deficit adds an illusory weight to calls for protectionism. Both countries must, at all costs, avoid the false temptation to turn inward. History tells us that such action cannot improve our own economies and would only prolong the world's distress.

Canada and the United States are fortunate to have each other as neighbours. We Canadians know this. And I know you feel the same way about us. We must continue to employ the creativity and common sense that have served us so well over the last century.

For that, I think it is important that Americans know us better and ask more questions about where we are going together in the next millennium.

Today we are here to celebrate the start of a new and vigorous relationship between Canada and the Woodrow Wilson Center.

I have been talking to your new Director about the issues that might be considered as starting points. Here are five:

1) **The border:** as our economies become more and more integrated, the already remarkable flow of goods, people and services will continue to increase in both directions. How will we conceptualize the border in ten

years? Our trade has doubled in the last ten years. It will no doubt double again within a similar period of time. We need to articulate a vision of the border that reflects the reality of an integrated market and shared values. All of this without compromising security and the protection of our citizens. In short, what should the border between the world's two greatest friends look like?

2) **Trade:** the first years of the new millennium are to be marked by extremely ambitious projects in the field of trade: we will be engaged in a new round in the WTO. We will be creating a Free Trade Area of the Americas. The experience of the Canada-U.S. Free Trade Agreement and the NAFTA provides a unique perspective from which to plot the course to achieve our shared trade objectives. I would invite the Center to provide its insight in this important area.

3) **The North American economy:** related to trade, but even more comprehensive, where are our two countries going in terms of an ever more obvious and compelling North American economy? Even as we look offshore, can we deepen and fine-tune our bilateral trade relationship to maximize the prosperity and security of North America? Would a customs union serve this goal? How do we improve labour mobility between our countries? How will our thinking be affected by the European experience with monetary union? Most importantly, if Canada were willing, would the United States, especially Congress, be prepared to consider new treaties and political arrangements that would further codify our future together?

4) **The environment:** and within the environment, water. Together our two countries co-manage forty per cent of the world's reserves of fresh water. Water may soon have a strategic and economic value beyond our dreams; how should Canada and the U.S. approach the huge responsibilities of this magnificent resource?

5) Finally, **international politics:** I like to call the U.S. the world's balance wheel: how can the U.S. better balance its huge superpower responsibilities with the imperative to strengthen international organizations like the U.N.? These bodies reflect the democratic and human values that have made the U.S. great. And how does Canada, your "indispensable partner", best go with you down that very challenging road?

I hope my remarks today have given you some food for thought about who we, Canadians, are, and why Canada matters very much to the U.S.

As we step forward together into the new millennium, let us rejoice that geography, history and indeed very good luck, have given us each other as friends, neighbours and partners.

Thank you very much.