

**“Canada-U.S. Relations: Shared Borders and Shared Values”
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As prepared for delivery

Thank you for that kind introduction. I was very pleased to address the Global Business Forum here in Banff two years ago. And I'm honored that you've invited me back for a repeat performance.

I'll speak today about the broad range of U.S.-Canada relations. Because this is a “Business Forum,” I'd like to place special emphasis on the global system of free trade and its importance to our countries. But the theme I want to underscore today is that, while relations between the United States and Canada are big and important and sound, they have a global context that is equally important. Our challenge is not just to work together here in North America - something we have done very well for a long time. Increasingly, it is to work together in the world.

The U.S.-Canada partnership is huge. It is by far the world's largest bilateral trade and economic relationship and it stretches across more than 5,000 miles of shared border. At any given time each of us is hosting hundreds of thousands of each other's citizens.

Our relationship is so big and diverse that much of it thrives without reference to the federal government of either country. There is a dense web of relationships, communications and agreements between regions; between provinces and states; between municipalities; and between families and friends. When an extended family holds a reunion that includes cousins from four provinces and seven states, differences in federal approaches to climate change policy or whether we voted together in the latest Security Council resolution hardly matter to them.

On other levels, of course, relations between Washington and Ottawa matter a great deal. We have some significant differences on a number of specific issues. But our policy differences pale in comparison to the overall scope of our cooperation. When President Bush and Prime Minister Martin met at the White House last April, they discussed their shared desire for a world at peace. And as President Bush observed, we are working together to achieve that shared goal.

Canada has played a major role in peace-keeping missions in the Balkans and more recently in Haiti. Canada is helping lead the diplomatic effort to end the violence that afflicts western Sudan. Canada has been a leader in Afghanistan. Although Canada did not join the coalition in Iraq, Canada's navy has played a vital support role in patrolling the Persian Gulf. And Canada has been a major contributor to reconstruction in Iraq, having pledged 300 million dollars to help rebuild the country and establish a new government. We continue to be grateful to have a friend and neighbor like Canada, one that understands the power of free societies.

That is especially important today. Earlier this month we marked the third anniversary of the terrorist attacks of September 11. Those attacks called us to fight a war against international terrorism. Americans still feel those attacks very personally. But it's important to remember that Americans were not the only targets of attack on September 11. If we needed a reminder of that grim reality, it came just last week in the horrific events that left more than 300 innocent Russians dead, many of them children, at School No. 1 in Belan.

We recognize that we can neither defeat international terrorism nor protect and defend our homeland by ourselves. Americans have been fortunate to have many friends and allies across the globe, on all continents and of all creeds, who have joined this fight. None is more important than Canada. Because we share this continent, the security and welfare of Canada and the United States are inseparable. With a shared border of 5,500 miles, geography alone makes it inevitable that international terrorists will consider using Canada as a potential launching pad for entry into the United States. It is critically important that Canada and the U.S. continue to work together to prevent and deter that threat.

That is exactly what we are doing. Canada and the U.S. have worked hard to build a "Zone of Confidence" in North America. American law enforcement and intelligence agencies are working more closely than ever with their Canadian counterparts, especially the RCMP, CSIS and Canada Customs, to share information and to screen travelers to North America. We are cooperating overseas before visitors board commercial flights to North America. We are working together on a Port Security Initiative that will screen the millions of shipping containers that enter North America every year. U.S. and Canadian military personnel work together as a single unit at NORAD to monitor the air and sea approaches to North America and to protect us from attack. We have amended the NORAD agreement to extend NORAD's existing aerospace warning function to provide integrated tactical warning and attack assessment. As the U.S. proceeds with its program of ballistic missile defense, we hope that the Canadian government will decide to join us.

Canada's recently announced national security policy maintains this spirit of close cooperation. It has three main objectives: protection of Canadians; protecting Canada's allies; and contributing to worldwide security. In other words, close cooperation is in Canada's own interest, in partnership with Canada's friends, and in response to global challenges.

The same holds true for international trade in goods and services trade. Our two-way volume of trade, in merchandise alone, is well over 1.1 billion U.S. dollars every day of the year. We have a single, integrated, continental industrial base. We eliminated virtually all tariffs between our two countries and Mexico through the free trade agreement and NAFTA, which has just completed its first decade.

There is still work to do and some difficult trade problems still remain. But there is no longer much controversy in saying that we should work together to fix those problems and remove further obstacles. There is more debate over "how" to go further, than over "whether" we should. We are not competing with each other so much as we are working together to make North America competitive in the wider world.

The obstacles to trading within North America are real, but they are dwarfed by problems like the ones the Doha Development Round is tackling. And again, the difficulties have also presented opportunities. We are working with our international partners to seize those opportunities, especially to reduce tariffs on agricultural trade. We are doing so because it is good for the United States and Canada, good for North America, and good for the world.

I know this view has become controversial view in many quarters. As we have recovered from an economic recession in the U.S., we saw economic growth rebound while job creation was slow. The U.S. economy is growing again - and it is growing jobs. The U.S. economy has created over one million new jobs in the last year. But job growth is still slower than we would like.

But we should not forget that millions of North American jobs are supported by North American exports. One in five factory jobs in the U.S. directly depend on trade. The surest way to continue adding more jobs to our economy is a confident economic policy that trades with the world. And that means, first and foremost, maintaining trade with our largest trading partner, Canada, and

with our second largest trading partner, Mexico. We won't improve the U.S. economy by retreating from world trade.

We can see the mutual benefits of free trade here in North America. The North American Free Trade Agreement has been a win-win-win agreement for Canada, the United States and Mexico. NAFTA has helped lift millions of Mexicans out of poverty. They become middle class consumers who are able to buy U.S. and Canadian goods and services.

It strengthened democracy in Mexico, where the opposition party won an election and there was a transfer of power, as should be the case in a democracy. This is a strong example of how free trade works to everyone's benefit.

Canada, the United States and Mexico now have the opportunity to work together to expand on NAFTA. We can coordinate national regulatory regimes and rules of origin labeling. And we can ensure that these are complementary while maintaining high standards for health, safety and environmental protection.

Global free trade is not just in the direct economic interest of the United States and its partners like Canada. It is in everyone's interest. When we provide a favorable climate for trade and investment, we lay the basis for lifting people out of poverty. Doing so not only creates new consumers for our goods and services. It also helps prevent failed states, like Afghanistan had become under the Taliban, by giving people hope in the future. International trade and investment figures dwarf foreign aid figures. Foreign aid can help a country build roads to open up resources that will help its economy. But foreign aid alone cannot lift people out of poverty. That requires the resources that come from foreign trade and investment.

Without minimizing the thorny problems that remain between us, the real challenges in trade policy, for both our countries, lie in the wider world - in finding how we can promote our shared values - in harnessing open, transparent, free markets to the task of making the world more prosperous. As in national security, our long and successful experience in working together on trade puts us in an excellent position to tackle these challenges.

Canada and the U.S. are probably the two best environmental partners in the world. Our two countries started formal cooperation nearly 100 years ago with the boundary waters treaty and the creation of the International Joint Commission.

For much of the 20th century the issues had to do with lakes, rivers, migratory birds, and acid rain - overwhelmingly bilateral challenges. Our newer challenges are predominantly global - issues like ozone, persistent organic pollutants, highly migratory fish stocks, and tropical deforestation.

In the 1970s, landmark environmental laws made the U.S. federal government not just a conservator of wilderness - which it had been for decades - but also a guardian of air, land and water quality. These were among the first laws of their type in the world. The current administration is building on those laws and responding to society's continuing demand for environmental improvement.

Air quality in the United States has improved significantly in recent decades at the same time that miles traveled by vehicles has increased, and energy consumption has grown, and the economy has prospered.

In the past year the U.S. Environmental Protection Agency has proposed a new set of "clean air rules" which will continue these strong improvements in air quality. These rules particularly address the transport of pollution across state borders, by regulating interstate traffic, off-road

diesel engines, and mercury emissions. Together, the new clean air rules should make the next 15 years one of the most beneficial periods in our history for air quality improvement.

I'd like to focus in some detail on the specific challenge of climate change policy. It's a good example of how one global issue can loom over and above all the things we've traditionally done together here in North America.

Early in his administration, in March 2001, President Bush announced that the United States would not join the Kyoto protocol. This has been a source of criticism in many quarters. But the critics quickly forget that, at the same time, the president reaffirmed that the United States would remain committed to the central goal of the UN framework convention - to stabilize greenhouse gas concentrations in the atmosphere.

The United States has shown sustained leadership in pursuing this goal through means other than the Kyoto protocol. In June 2001 the President created the Cabinet Committee on Climate Change Science and Technology. The following month, we launched the international agreement on carbon capture and storage - in which Canadian oil and gas companies are important partners.

In January 2002, the Secretary of Energy launched the Freedom Car program, a new cooperative automotive research program between the Department of Energy and major automakers. This program funds research into advanced, efficient fuel cell technology which will use hydrogen to power automobiles.

And most importantly, in February 2002 President Bush announced a multi-billion-dollar program of climate change initiatives. These are designed to slow, and as science justifies, stop and reverse the growth of greenhouse gas emissions. The Administration is committed to cutting America's greenhouse gas intensity - that means, emissions per unit of economic activity - by 18 percent over the next ten years.

This is the equivalent of taking 70 million cars off the road. It will require a major commitment - once again - to new technology on the part of our people, businesses and governments. But it is achievable because it is based on the common sense idea that economic growth is not just compatible with environmental progress; rather, it contributes to environmental progress. Economic growth provides the resources for investment, which in turn brings clean and energy-efficient technologies to life.

After he announced his climate change plan, the President requested a record 4.5 billion U.S. dollars in 2002-2003 alone for climate-related programs. This was an increase of 700 million dollars from the previous year. It represents a bigger commitment of resources to addressing climate change than that of any other nation in the world - more than Europe and Japan combined.

As the National Energy Policy made clear, we are committed to working with international partners on climate change and energy supply issues, because these problems are global in their scope. And to prove it further, in March 2002, despite our different views on the Kyoto protocol, the governments of the United States and Canada signed two international agreements, on renewable energy and climate science. These made it clear to each other and to the world that we were committed to expand and intensify shared efforts to address global climate change, whether or not either of us chose to ratify Kyoto. While taking different views of the value of the Kyoto accord, the United States and Canada take similar views of the scale of the challenge and the need to work in concert.

We have a long record of working together here in North America, particularly along the border. But now we are driven by a bigger agenda: a worldwide challenge that will affect every country on earth.

Let me turn to a fourth area of U.S. and Canadian cooperation and interdependence, that of energy. I don't need to tell any audience in Alberta that Canada is the United States' top petroleum supplier and our largest foreign supplier of total energy - in fact, by a margin of two to one. We share an integrated, continental network of oil and gas pipelines and refinery infrastructure. Canada supplies about thirty percent of total U.S. energy imports.

Canada is a world leader in the development of clean, leading-edge energy services and technologies. Cooperation and integration are very deep in the energy sector, and much has been done over past 20 years to institutionalize them.

The North American Energy Working Group, formed in the first months of the Bush Administration in 2001, is only the most recent major step. An Alaska natural gas pipeline will hopefully demonstrate yet again what the U.S.-Canada partnership can do together by once again extending the frontiers of our continent's energy supply.

We still have work to do. As the President's National Energy Policy report showed in 2001, we face major infrastructure challenges throughout the energy sector, but particularly in the integrated grid that transmits electric power in both our countries.

But even bigger, more difficult issues confront us today on the global scene. An immediate example is found in energy prices. The cost of oil and refinery products is obviously not a domestic phenomenon. There is a single worldwide oil market and these prices go up and down more or less simultaneously everywhere - in countries, which export oil, like Canada, and in countries that import it, like the United States.

It might interest some Americans to know, not just that Canada is our largest supplier of imported energy, and the world's second largest holder of petroleum reserves, but that Canadians nevertheless are just as much affected by high oil prices as Americans are.

This point should be remembered when we think about increasing energy security in North America. Arguments for so-called "self-sufficiency" go too far if they promise us that we can wall ourselves off from the world. We North Americans can increase the share of our energy needs that we supply for ourselves. There are many good reasons to do so. But we need to be realistic about whether this will end our exposure to world energy markets. Even if, like Canada, the U.S. could produce more oil than it now consume, Americans would still be affected, just as they are now, and just as Canadians are, by global supply and demand.

Compared with oil, relatively little natural gas is traded into or out of North America. So until now, we've more or less had a separate continental market for natural gas. It has been possible to have meaningful discussions about the "North American natural gas market." A key question is, how quickly will this continental market become part of an integrated global market for natural gas?

I don't know the answer. But I do know that it largely depends on how quickly we develop the technology and infrastructure for liquefied natural gas. And this is a question our two countries will work on together.

If they are developed, Canadian LNG ports - such as those proposed in Atlantic Canada - could play a significant, perhaps even an early and leading role, in bringing more LNG into our continental market. To the extent that this happens, North American households will be more

likely to feel the effects of events in the gas fields of Nigeria or Trinidad or wherever else our natural gas might then come from.

But those effects will not replace the countless existing influences on our energy markets; they will be added to the mix. Our sources of supply will become more diverse, not less. Our energy market will become more flexible and resilient.

Even at 40 U.S. dollars a barrel, after adjusting for inflation, the price of oil is below where it stood for the first half of the 1980s, and not far off where it was in 1974-75. And OPEC - far from being the price-gouging cartel we once feared - is working hard to keep that price stable. OPEC learned long ago that price swings hurt everybody, including themselves - particularly when they only control a minority of world oil production.

In short, we buy our oil from a sophisticated and competitive world market, which is designed to serve us, not hurt us. It supplies us reliably with high-quality oil from diversified sources at surprisingly moderate and stable prices. While those prices have recently been going through a spike, this does not change the fundamental argument.

We have not found a better mechanism than free global market as a way to deliver goods and services to billions of people. This is true of energy as it is for other goods and services. One of the goals of the administration's energy policy is to enhance the supply of energy within North America. And we are doing this by allowing markets to work. We are pledged to work with our international partners, both within North America and overseas, to enhance energy supplies not just in North America but worldwide.

The hydrocarbon economy has lasted a hundred years. But it will not last forever. We will eventually move beyond petroleum and coal. It took centuries for our hydrocarbon fueled economy and society - and climate change - to develop. And it will take time to address it. If we take the long view - allowing appropriate time frames, and drawing on the transformative power of technology - we can change on the necessary scale and without economic trauma. And this change will not only address the worldwide challenge of climate change. It will also help to move the world beyond reliance on fossil fuels.

All of the themes I've discussed today - building a more secure and prosperous world, protecting the natural resources of North America, working to make sure we have the energy we need to power our economies, protecting ourselves from international terrorism - are interests that the United States and Canada share with the rest of the global community. None of us can achieve those goals independently; we can only achieve them by working together.

But we share more than interests, just as we share more than a border. There are fundamental values that unite our two countries. And I'd like to conclude with an observation about one of the most cherished values shared by Canadians and Americans. For the second time in four years, Canada and the United States are conducting national elections in the same year. When Canadians went to the polls on June 28, they participated in a long and proud democratic tradition. They participated in a parliamentary tradition that combines executive and legislative powers. And they participated in an evolutionary political tradition that prides itself on seeking consensus and accommodation among diverse groups of people.

When Americans go to the polls about six weeks from now, we will be participating in an equally proud democratic tradition. Our tradition is based on a political system that separates and balances executive, legislative and judicial powers. It is a political system that, by design, values, and often forces, conflict and adversarial debate in national political life.

Paradoxically, our differing national political systems illustrate the most important values that we share. There is no more important value, for Americans and for Canadians, than a political system that allows us fully to choose our governments and our representatives. This system is the foundation of our freedom to live, think, talk, and prosper. Those values of freedom, represented by free elections and democratic government, are the real bedrock of the relationship between Canada and the United States, the closest bilateral relationship between any two countries in the world.

Thank you very much.