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James A. Coutts

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Being here and talking about Canadian-American relations brings to mind a story that Lester Pearson used to tell at the beginning of international meetings. He had read an account in the London Times of a young girl who had been murdered, decapitated and delimbed in Hyde Park. The report went on to say that fortunately she had not been interfered with. That, I believe, is the spirit of current Canadian-American trade negotiations — some rather tough body blows at times, but no interference.

Mr. R. Allen Kilpatrick, our distinguished chairman, opened the panel discussion with some facts of the Canadian-American case and described the size and the scale of trade between the two countries. One could almost begin and end with the single statement that there is an enormous amount of trade between Canada and the United States (27 billion dollars worth),[1] and there is probably going to be a lot more. It is hard to imagine any kind of trade negotiation — bilateral or multilateral — that would change this trend significantly in the next few years. In my view, the United States and Canada will continue to be each other's largest trading partners, and the trade will continue to grow. Changes in trade between the two nations will be marginal, a little bit less here or a little bit more there, but it is unlikely that the $27 billion of trade between the nations will do anything but increase.

Attitudes towards this enormous block of trade between the United States and Canada change dramatically depending on who you are and where you are in North America. As the American political scientist Richard Neustadt points out, "Where you stand depends on where you sit," and this is very true of Canadian-American trade.

A few examples will help. If you are in the Commerce Department or the Treasury Department in Washington, you think the large American deficit on trade account with Canada is a bad thing. However, the Canadian Minister of Industry, Trade and

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* The Canada Consulting Group, Toronto, Ontario.

1 U.S. DEP'T. OF COMMERCE, STATISTICAL ABSTRACT OF THE UNITED STATES 780 (1973).

Commerce would argue that the billion-dollar deficit on trade account when balanced against nontrade accounts really amounts to a deficit for Canada. The Chairman of the Canadian Radio-Television Commission views Canadian-American trade with some concern because large-scale American film and television production and distribution have an enormous impact on the Canadian television industry. The Commission believes that something must be done to ensure more Canadian television production if Canada is to preserve a separate identity in North America.

If you are an auto worker in Senator Hartke's state, you view Canadian-American trade with a jaundiced eye. The auto pact has moved production to Canada and has not helped you at all. If you are an employee or manager in the Michelin plant in Nova Scotia, where American actions have threatened production,[2] you have a similarly pessimistic view of Canadian-American trade. But if you are employed in a parts plant or an auto plant that has benefitted from the auto pact, you have a very optimistic view of Canadian-American trade and what the pact has done. The oil executives in Calgary were elated with Washington's removal of the American import quota on Canadian oil. They were less cheerful when Ottawa enacted an export quota.

Of course, Canadian-United States trade is not confined to multi-million-dollar negotiations between large corporations or trading companies. Unlike trade with the Soviet Union where a wheat deal between Canada and Russia is negotiated by ten people at most — the trade between Canada and the United States involves thousands of people in a great many deals. An important part of the trade is made up of sales by the "little guys" who export hockey sticks to the United States or specialty foods to Toronto. They are usually quite unaware of the next round of trade negotiations. They simply want to get on with the job of shipping hockey sticks and food. This is why it is difficult to adopt a point of view on Canada-United States trade — there are as many points of view as there are commodities, products and traders.

Because total Canadian-American trade is a complex subject to understand when viewed as items large or small, it might be useful if I could step back from the list of commodities and the list of problems and opportunities, and look at longer trends in Canada that affect trade between the two countries as we enter the next round

[2] *See* X-Radial Steel Belted Tires from Canada, T.D. 73-10, 38 Fed. Reg. 1018 (1973).

of negotiations. This may give you a better understanding of the economic and political development in Canada and the strategies these developments dictate. I will discuss five or six conditions or developments in Canada that are shaping Canadian national strategies and thus influencing trade negotiations.

The first condition is really a fact. Of everything Canada grows, manufactures or produces, it exports well over half;[3] other industrial nations consume as much as 80-85 percent of production at home. This large percentage of export makes Canada a rather aggressive negotiator because its prosperity depends upon trade.

The second condition is that Canada has a lot of eggs in one export/import basket — the American basket which totals 70 percent of Canada's exports[4] and from which Canada takes three quarters of its imports.[5] Now in my view, the United States is a pretty good basket in which to have your eggs if you do not have many baskets. But Canadians are, as are the Americans, searching for additional baskets in order to diversify their trade. Canada, like the United States, is looking at Europe and Japan as prime targets.

Third, Canada is evolving rapidly from primary manufacturer to secondary manufacturer and moving into the service industries. And Canada must do all it can to accelerate this evolution, for Canada was one of the fastest growing labour forces in the world, and these industries are needed to employ this force. Most Canadians are no longer willing to accept a North American situation where they are primary producers and others are manufacturers. In the next decade, Canadian governments (of all political leanings) can be expected to negotiate trade arrangements with a view to increasing Canadian manufacturing.

The fourth development is that Canada is rethinking its resource position. Canadians have, and I believe Americans have, thought of Canada as resource rich. There is a question mark today over how rich Canada really is in resources — especially in energy. And other questions have not been resolved. What is the potential mineral output? How much will be needed as Canada grows and develops as an industrial country? Of all the matters I have touched upon this is perhaps the most pressing today. How much is there

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[3] In 1971, Canada exported 56.5% of its production. This figure includes manufacturing, agriculture, forestry, fishing, mining and quarrying. INTERNATIONAL ECONOMIC REPORT OF THE PRESIDENT 3 (1973).

[4] Dunn, *Canada and its Economic Discontents*, 52 FOREIGN AFFAIRS 119 (1973).

[5] In 1971, Canadian imports from the United States totaled $11 billion, based on total imports of $15.6 billion. CANADIAN ALMANAC AND DIRECTORY 776 (1973).

with which to negotiate, whether to negotiate with it — these are the resource questions on the minds of Canadians.

Then there is the question of regional disparity — a problem in almost every country. We have in Canada several quite distinct regions — more distinct, I believe, than those in the United States. The regions are separated by great distances, by language and by economic opportunities. The levels of economic activity in different parts of Canada differ greatly, and trade negotiations conducted by the central government are intended to ensure that benefit flows to all parts of Canada. At present, there is a feeling in several regions that this has not been the case, and there is pressure on Ottawa to see more equity in trade arrangements.

The sixth and last point has to do with the way in which Canada has financed its industrial development in the past. There are very mixed views on this matter in Canada. For a long time Canadian business was financed by British capital and, later, by American capital, to the tune of something like $30 billion. In fact, half of every American dollar invested outside the United States is invested in Canada.[6] This raises the question, perhaps it seems to Americans unfairly, as to whether Canada can always control its political destiny when so large a portion of the nation's assets are owned outside. There are those who believe it is not important how you are financed. Government can always regulate, and a good corporate citizen, however financed, is a good citizen. I raise this ownership question in the trade context because a good deal of Canadian-American trade is between United States corporations and the subsidiaries of those corporations in Canada.

These are the major conditions and developments at work in Canada. They are a major factor in determining what kind of a trader Canada will be. I believe Canada will be a more aggressive trader, very conscious of its largest customer, the United States, and of that large block of trade that exists between the two — ensuring always that Canadian-American trade continues and grows. I believe Canada will be cautious on the resource side, determined to see greater employment opportunities come out of trade negotiations. Finally, I believe there will be some effort to see that trade negotiations are tied more closely with financial and ownership arrangements and with the way industry is structured in Canada.

[6] U.S. DEP'T. OF COMMERCE, 53 SURVEY OF CURRENT BUSINESS, Sept., 1973, at 24.