

Fighting to Win: Regaining North American Competitiveness

Speaking Notes for Perrin Beatty

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I want to thank Toby for the kind invitation to join you today, not only because the weather in the DC area is far more congenial than it is in Ottawa at this time of year, but also because of the importance of your sector. You are the first to feel it when our economy suffers and the first to benefit from its recovery. But your industry has been the story of American enterprise and leadership for more than a century.

America was not the birthplace of heavy machinery, but it is the place that put those machines into the hands of millions of ordinary businesses.

Here in Maryland we are only about 500 miles from Dearborn, Michigan. That's where Henry Ford did a historic thing - he produced the first general purpose tractor - the Fordson Model F.

Ford gets credit for putting Americans into cars. But he should get credit for an equally important revolution in agriculture, an industry I know something about because my family also manufactured farm equipment, in addition to pumps and household appliances.

Ford began production of the tractor in 1916 and over the next ten years built 600,000 of them. It was the first time American farmers had an affordable machine they could use on their own land. In fact, it was the first time *any* farmer had such a machine in the whole world.

Behind every story about U.S. economic progress - the development of cities, the creation of national highway systems, and the national telecommunications network - is a 'back-story' of industrial innovation and machines powerful enough to move mountains. It is this history of innovation and hard work that will guide us through the coming years.

2011 was an interesting year. We saw some growth, but also a series of unexpected shocks, including the rise in oil prices, the Japanese earthquake, Europe's sovereign debt crisis, and the political stalemate here in Washington, just to name a few.

Global uncertainty continues to shake consumer confidence. Businesses are wary of spending, hoarding cash. We've all been through the wringer and are emerging leaner...and probably meaner!

We are poised for aggressive growth once confidence starts to rise, but both business and consumers need to know that our political leaders have a plan to manage the serious economic challenges we face.

I can tell you, we are going to need aggression and skill and confidence to confront the challenge that's emerging in Asia. Last November I joined the Governor General of Canada, David Johnston, on his first state visit to Asia.

I visited both Vietnam and Singapore and I was amazed by the pace of growth in those countries.

Looking to Asia, most people focus on China, India and Japan. But, in recent years, smaller economies like Vietnam have been surging ahead.

While its economy remains poor - GDP per capital is barely above \$1100- its pace of industrialization is rapid. In the next ten years Vietnam will invest \$170 billion in infrastructure. \$170 billion! In a small country like Vietnam.

A brand new industrial machine is being built in Asia. Asia is in the game, and they're playing to win.

We will have to raise our game to meet this challenge.

For Canada, America will remain our largest trading partner for the foreseeable future. Since NAFTA was signed our bilateral trade has more than doubled. Almost \$1 million worth of goods and services cross the border every minute.

Our supply chains are so integrated that we literally build things together, with a car seat moving down an assembly line on one side of the border to be matched with a chassis moving down an assembly line on the other side. If history has taught us anything, it's that we are much stronger together than we are apart.

That's one of the reasons why we're looking at the Trans Pacific Partnership negotiations with such interest. With the WTO's Doha Round stalled, America is leading its partners into a new effort which has the potential to revolutionise North America's relationship with the Asia-Pacific community.

As we face this growing competition from emerging and re-emerging economies, we have to look at the individual factors that make them efficient, or make us inefficient. And we have to attack those factors. We have absolutely no basis to be complacent. We need to eliminate uncompetitive policies that are little more than sacred cows.

Pretend, just for an instant, that you're looking down from space at the planet. Looking at China, you see a massive landmass with no internal barriers. Over Europe, where wars waged for generations, the internal borders are virtually gone. But North America remains divided by countless unnecessary barriers to trade.

Last December, Prime Minister Harper and President Obama jointly announced their regulatory cooperation plan. A big part of it will involve tearing down regulatory barriers that hinder North America's economic growth. Having incompatible systems imposes economic, environmental and health costs on our citizens. Making North America's regulatory processes more efficient is essential.

The other half of this announcement targets the Canada-U.S. border. The mismanagement of this vital trade crossing costs North America dearly. Since 9/11 we've been busy building a wall right through the middle of our supply chains while our main competitors have been systematically tearing down barriers to trade.

The Beyond the Borders announcement will undo some of this damage.

Our governments established the principal of "inspect once, accept twice." They have promised to create single window for reporting and improve NEXUS and various trusted trader programs.

We're on the right path. But as Will Rogers said "*Even if you are on the right track, you'll get run over if you just sit there.*" I'm certainly pleased with this progress, but it's not a legally binding agreement. Our governments have set out a plan, but it's critical that we hold their feet to the fire and ensure that the plan gets implemented. The continued health of our bilateral relationship depends on it.

I've touched on a couple of our bilateral issues. Let me take a moment to talk about the priority issues for Canada.

This year, the Canadian Chamber will be putting its main effort into a campaign to encourage Canadians to fight for our competitiveness. We'll be presenting the ten top barriers to competitiveness and calling for all the governments in Canada to fight jointly to overcome them.

I won't list all ten right now, but I will mention a few I think will interest you.

First, Asia and South America are building brand new, highly-efficient infrastructure. Here in North America we are still milking the last drops of service from infrastructure built when the Beatles were number one!

Consider these facts:

- In America between '89 and 2000, more than 500 bridge structures failed. The average age of these bridges was more than 50 years old.
- 50 percent of all natural gas pipelines in the U.S. were installed before 1970.
- In 2009 the National Surface Transportation Infrastructure Financing Commission warned that state and local governments would likely raise only about a third of the \$200 billion needed each year to maintain and improve the nation's roads and transit systems.

In Canada it's essentially the same situation. We are trying to support a 21st century economy on 20th (or in some cases, 19th) Century platforms. How can we expect to compete with Asian economies if our own infrastructure is antiquated?

So, the Canadian Chamber will press governments in Canada to fund infrastructure on a continuous and reliable basis. We will urge some organization of the effort. We have a lot of governments in Canada! They have no adequate mechanism for a coordinated dialogue and agreement on infrastructure investment, even though it's a nationally urgent issue. We can't compete if we act like 13 independent principalities.

Finally, whether it's public infrastructure or private, we need to be more efficient about our regulatory processes. We cannot afford to spend years and years deciding whether a proposed project can proceed or not. When you are contemplating a multi-billion dollar investment, an indefinite "maybe" may be even worse than an early "no" that allows you to invest your capital in other ways.

In its annual competitiveness report, the World Economic Forum listed "inefficient government bureaucracy" as the leading problem for business in Canada. In the U.S. it was listed as number two.

At the Canadian Chamber we take that very seriously because it's a self-inflicted wound. We can't do much about the long distances we have to travel or about the blizzards in the winter. But we *can* do something about this.

In Canada, we might have multiple *federal* agencies conducting a review of a single project. And any provincial governments that are involved might *each* conduct their own assessment as well.

In 2007 one of our members filed an application to expand an existing mine. It took the governments involved three and a half years to agree on how to conduct the environmental assessment. Hearings won't actually start until this year.

We cannot continue to act this way and expect to compete against our rivals.

No one should argue that the environment has to suffer. If projects are unacceptable, that's fine. Just decide in a timely fashion. Opponents should fight a project on its merits, not by creating endless process delays.

Of course, everyone here knows about a couple of major infrastructure projects that are on hold – critical projects that need to proceed.

The first is the long-awaited second bridge between Detroit and Windsor. The existing bridge is one of the most important trade corridors on earth. But it's 82 years old. It's subject to expensive delays and congestion, and if it were damaged by a terrorist attack or a natural disaster, there is no adequate alternative. We need a new bridge.

It's been estimated that this project will bring \$1.8 billion worth of investment to the area and create 40,000 jobs.

But the existing bridge is privately owned and the owner is fighting hard to maintain a monopoly worth millions of dollars a year. Through a massive campaign that includes highly misleading advertising and political lobbying that owner has so far blocked the new bridge.

It seems almost incredible that Michigan – a state that trades for a living, a state that has suffered through the recession – would say no to a project that would create tens of thousands of jobs. This kind of delay is not happening in those Asian countries. They are building; we are stalling.

In western America there's another high profile project we should all support. The extension of the Keystone XL pipeline would bring Canadian crude oil to refineries in the Gulf Coast.

This privately-financed project, which would not cost taxpayers a penny, would create 20,000 new jobs. It would bring reliable Canadian oil to a market currently at the mercy of hostile and even dangerous suppliers. Did we need a reminder of that hostility?

Three weeks ago Iranian President Ahmadinejad threatened to close the Straits of Hormuz if we interfered with his plans to give himself the ability to build a nuclear bomb.

Did you see the photo of Hugo Chavez and Ahmadinejad laughing together a few weeks ago? We should realize that if we start working together on energy security we can strip them of their ability to threaten us.

Instead, we've just given them another reason to smile.

On Wednesday, we saw further delay to the Keystone XL project. While TransCanada remains committed to the pipeline, each delay adds costs. This is a perfect example of how we handicap ourselves while our competitors sit back and enjoy the show. If major projects

run the risk of becoming a political football, then where is the incentive to invest?

In its assessment of the project last summer, the U.S. State department discussed alternatives and concluded that if *“the proposed Project is not built and operated, Gulf Coast refineries could obtain Canadian crude oil transported ...by rail or truck transport.”*

In other words, still the same oil, but transported using less efficient means. It just doesn't make sense, either from an environmental perspective, or from an economic standpoint, or when you consider the national security of the United States.

Building the basic infrastructure on which our two economies can prosper is the essential work of governments. Both these projects deserve to proceed, for all our benefits.

North America is on the cusp of a new economic era. The steps we take now will determine if we succeed or if we fall behind.

We are literally in a fight for our future, and we are fighting against the most innovative competitors we have ever faced. The people in this room represent the industry at the front lines of this fight. For the sake of our children and of our nations, we cannot afford to fail.