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CN TRADE RELATIONS FORUMS: WHITHER CANADA AND THE WTO

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Whither Canada and the WTO?

Introduction

Helmut Mach

We welcome you to the third CN Trade Relations Forum of this academic year 2009-2010. My name is Helmut Mach and I am the Director of the Western Centre for Economic Research and CN Executive Professor for Canada-US Trade Relations. We would like to recognize the valuable sponsorship of CN Rail. Their contribution to the work of the Western Centre for Economic Research and our activities allow us to developing greater awareness, understanding, and knowledge of international trade issues. We try to organize a series of CN Trade Relations throughout the course of the academic year and this year we have been fortunate to be able to have quite a number of forums and these will continue in the remainder of the academic year.

We have with us today, I am very pleased to say, the Honourable Pierre Pettigrew, former Minister of International Trade and former Minister of International Trade. It is usual in government circles to consider the Minister of Foreign Affairs to be superior to, and more important than, the Minister of International Trade. From my perspective, Mr. Pettigrew's work and contributions as Minister of International Trade were much more important. He brought enthusiasm and energy to the international trade file as well as coping with a great many trade disputes that were current during his tenure, including softwood lumber and various other such minor hiccups. He made a valuable contribution to the development of international trade policy in Canada. We are very pleased to have him with us here today.

Mr. Pettigrew is currently Executive Advisor International for DeLoitte & Touche and advises international business clients on various elements related to the conduct of international business. His long experience with the World Trade Organization (WTO) matters representing Canada and a series of WTO ministerials, and his reputation and stature were such that he was frequently called upon by the heads of the WTO to act as what is referred to as a friend of the chair, leading various negotiation sessions in attempts to bring consensus on issues at WTO ministerial meetings. Mr. Pettigrew will be talking about the WTO and Canada in the context of the WTO. The presentation will be 20 to 25 minutes, and after that we will open up for questions and discussion. We will be recording the Forum and will publish the transcripts as an Information Bulletin.

We will talk about the WTO and Canada; whither Canada, whither the WTO, and both of them. But we cannot begin to talk about the WTO in 2009 without revisiting the international architecture of the world that is emerging post financial crisis, post recession. This is a world vastly different than the world we were in two or three years ago. This is something that has to be registered; we cannot just begin to talk about the WTO Doha round as if nothing had happened.

First, I believe after this recession, as we emerge from this recession, we will not be coming back to square one, back to where we were before. We are emerging in a world that will be radically different than the world we left two years ago. The second point I would like to make is not quite on topic but I think it is important. When I talk to Canadians I like to remind them that in this recession, as in every other recession since 1945, Canada's recession has been shorter and shallower than the American recession. I know Albertans, like all Canadians, have a lovely inferiority complex and say, that when the United States sneezes, we catch a cold and when the Americans have a cold, we get pneumonia, and it is so much worse in Canada -- we are so small, so vulnerable, and so fragile. It is just not true; it is exactly the other way around. In this recession it has been quite clear and it has been the same thing in every other recession -- Canada has done a lot better than the United States.

So it is the other way around, when the United States has pneumonia, we being in the same bed catch a cold. I think this is something we need to understand as Canadians because lots of our policy making and decision making is related to falsehoods about who we really are in North America and in the world.

The Bretton Woods institutions and the UN system that was built largely under American leadership with the support of British policy makers and Canadians was a system based on multilateralism. It is, in my view, the best international architecture to ever be produce, and among these institutions I think GATT was the best. The underlying principle of multilateralism is an extremely useful one. Of the three sisters -- the three Bretton Woods institutions -- the International Monetary Fund (IMF), the World Bank and the GATT/WTO, I have always thought that the WTO has been by far the most successful and the most interesting of the three. For that system, based on multilateralism, has given the WTO one thing that the other institutions did not have.

At the IMF and the World Bank, the North has leverage over the developing countries, over the South, over the poorer countries, and they leverage it big time. At the WTO, both the South and the North have leverage. That is, any country believes that if a member of the WTO has not behaved correctly in its trade policies and practices, it can take it to the WTO. The poor country or the small country can take on the big at the WTO. So the WTO will give leverage, not only to the rich and developed countries, but it does give leverage to the South and to the poor countries. This is why I, for one, have a very big problem with [the fact that] ten years ago this week there were 50,000 anti-globalists in Seattle trying to shut down the WTO meeting. I was very disappointed that the WTO was the institution that was the most targeted by the anti-globalization movement as the WTO is the organization that has done the most equalization between developing and developed countries.

Now, the Thatcher-Reagan era. After the thirty glorious years of this system of Bretton Woods and United Nations based on multilateralism, this Thatcher-Reagan era determined

which considered government was 'the' problem. President Reagan was very clear: government is the problem; we have to shrink government; we have to eliminate government; and we have to build the Washington Consensus for the IMF, for the World Bank, and for the WTO. For any country from the south that wanted help from these institutions, it was always the same thing -- deregulate, privatize, liberalize -- the horse medicine. Whatever your situation, you do these three things and eliminate government as much as possible.

In 1989, the fall of the Berlin wall and the implosion of the Soviet Union brought a radical different landscape. The United States emerged as the sole significant power in world affairs. From bipolarity we moved to unipolarity. The great confidence that Americans developed in the 1980s turned into exuberance in the George H. W. Bush and Bill Clinton. That exuberance of the 1990s came squarely under George W. Bush: arrogance, where all the tents of the Thatcher Reagan era, with no counter weight of the Soviet Union and an alternate model, became sheer arrogance Multilateralism that had come to be abandoned by the United States under Bill Clinton was pushed a lot further in the 'George W' years and at the same time as this very American system based on its values was challenged by the winner of the whole exercise. This is very strange because normally it is the emerging powers who want to change the name of the game -- China, Brazil, India -- those who would like to challenge the status quo normally provoke changes. Now it was the Americans who won with that particular system and I think this is a very big mistake that has cost the United States a lot of its prestige in the world.

Now, where does that lead us? Obama, President of the United States has the responsibility to define a new era. And that new era could be like a pendulum; it tends to go too far in the other direction. Whereas Reagan said the government is the problem, we hear Obama say, almost all the time the government is the solution. So they bail out banks, bail out insurance companies, and bail out car manufacturers, and soon Government is back. So, if for thirty years the tenet was always to eliminate government, we will see government back in business, back big time, not only because of Obama, a Harvard and Yale graduate who could have gone to Wall Street and made a million and a half a year and spoil his daughters in the best schools, chose to do community work in Chicago. He is pretty dedicated. But that also means you believe in government; you believe in community stuff. And that is the experience he had before becoming a Senator and then President of the United States. You always make decisions within the framework of your own experience.

The new era, in my view, will bring Obama to define his era like Thatcher and Reagan defined their era. By defining an era even your challengers, to conquer power, have to adopt your tenets. It is when you are powerful enough that the others who want to replace you have to become like you and adopt your philosophy. Tony Blair and the New Labour adopted Mrs. Thatcher's tenet. The new Labour Party had very little to do with the Labour Party of the 1970s. It turned out to be the only way they could take power away from the Conservatives of Mrs. Thatcher and John Major down the line. The same thing occurred with Bill Clinton; he replaced the Republicans after twelve years in the House by bringing the Democrats, the New Democrats; the same trick as Tony Blair did.

Anyway, all that is to say that government is back. Government is big in China, in the US; it is big in India, the bureaucracy, so with the sovereign wealth funds. So where is our WTO in this kind of world and what do we make of Canada? Whither Canada and the WTO?

First of all, a few words on Canada. We were affected by what happened in the US and UK and everywhere else in the world, but nothing originated from Canada. None of

our banks collapsed; none of our insurance companies collapsed; and the only bail out we had to do was in the car industry to mimic the US bailout. I do believe very much over the years Canada maintained a better balance between government and markets. Whereas in the Anglo-Saxon model of capitalism, we had gone very strongly on the market side -- markets will make the decisions, markets are great, and markets are efficient. Markets are so much better than corrupted and inefficient government bureaucrats. That was the discourse of the time.

Now we see that markets can also get it wrong. Sometimes market can get it very, very wrong. They need the government, all of a sudden, to save them from their excesses, and the failures of markets are going to cost deficits for years and years to come. In Canada we maintained a higher level of oversight. I was in the government, I know the bankers now love to say around the world that they are the best bankers and they have done so much better and all that. I can tell you is if we had done, when I was Minister, what the bankers wanted, there would be no financial institutions left in Canada at now because they wanted deregulation. They wanted mergers big time and they hated us. They gave millions of dollars to the Conservative Party to defeat us. Now they thank us so much for not having given them what they wanted, because essentially there would be no more financial institutions in Canada if we had deregulated and allowed the bank to merge.

So the better balance between government and state is something that has helped Canada over fifty years. Let me have a little word on politics and governments. Canadians are about Peace, Order, and Good Government and there is a very favorable prejudice, a little less in this province, but by and large in Canada, there is a rather favorable prejudice towards government. In the US there is huge suspicion of government, *deep* suspicion of government, but they absolutely admire people who come and serve in office. They take care of people who serve in office; they keep their titles for the rest of their days; and society looks after them very well. In Canada we love government, but consider politicians as used car salesmen in terms of trust. Honestly, to tell you the truth, I think Canadians for fifty years, and I don't only speak of my ten years in office but all parties who have served Canadians have been better served than American, British, French, Italians, or almost any country in the world. We have had an extraordinary political class that has built this country as a great success and we do not know the great failures that other countries know. We have reduced our debt substantially; we have virtually no foreign debt; and we have a pension plan guaranteed seventy-five years in the future. I look at all the problems other countries have. We have resolved these in Canada pretty well. Just my little pitch for politicians in general: be more tolerant, otherwise you won't have good ones. If you continue to look down on them so much, they will not come and serve and we need good people in government. It is very important to have talented people in government if you want to maintain the kind of model we have.

[In regards to the] WTO in this, the IMF saw its resources triple and its role expand on the leadership of Dominique Strauss-Kahn. It did not get the big prize. It is really the institutions of stabilization that got the big prize in terms of responsibly of the world economy. But the IMF and the World Bank have been a lot more active during the last crisis.

Where is the WTO? Nobody talks about the WTO at this moment. Well, what I know is that we have the worst recession in fifty or sixty years and there has been very little excess of protectionism, unlike in the thirties. The WTO is not only about Doha or only about cycles of negotiations; it is whole number of principles like the Most Favored Nation (MFN) treatment that you have to treat equally all members of the WTO. It is a forum where you

can arbitrate disputes and litigation. You can go to litigation with a panel. The WTO is a lot more than Doha. It is not because the Doha round is in difficulties that the WTO has been useless. I think it has been very useful. One of the initiatives Pascal Lamy took as Director General of the WTO was to monitor very closely all the practices that could affect international trade at the moment of the recession. There were commitments at the G7, G8, and commitments at the G20 not to resort to protectionism in this crisis. I think the fact there was this peer review of countries monitoring each other's activities has allowed us to go through this recession with some -- I am not saying that there were none -- challenges. I am very proud that in Canada, the government eliminated unilaterally some tariffs last year. We did it selectively to improve Canada's productivity and facilitate the purchase of some equipment. But I support what the government did in eliminating unilaterally some tariffs. This goes exactly against the past practices in recession when people became more protective.

So, whereas the other institutions have benefitted, the one that has been most successful in 50 years has received benign attention from the world leaders. We would not think of a G20 meeting without having Bob Zoellick the President of the World Bank, or Strauss-Kahn with the IMF. Sometimes they think of having Lamy, the director general of the WTO, around, sometimes they don't. I think there was a deal on the table for the Doha Round -- what was on the table in July last year, July 15 months ago, that came so close to being adopted, if you look at how close the parties are. But consensus does not mean consensus. It means unanimity: the unanimity in the WTO language is 160 members have to agree. We have this system of single undertaking; you agree on everything at the same time and all members agree. I have a problem with that. I think we will have to develop into better ways of negotiations, because the WTO is now playing into rules that go beyond trade. It is extremely complex and extremely difficult to move all at the same time.

So this Doha round the odd man out was India.

Aside: Those who are interested in this subject, the best book written is Paul Blustein's book, *Misadventure of the Most Favored Nations*. It is a very good book, very well written. I regret so much I didn't give him the interview he asked me because a couple of things are missed. I think in the second edition I will make sure he integrates a certain number of things, especially on antidumping in Seattle and a couple of other things on the implementation of the Uruguay round which he did not write [in the first edition]. All and all it's a very good book, quite accessible for the general reader and you will see that in Doha the odd man out was Maran, the Trade Minister of India who (almost on his death bed) opposed the launch of the round in Doha and ended up accepting most reluctantly. Our colleague could not get up to speak at the WTO without the assistance of his aides to get him up. You could tell the man was so very ill. He was absolutely isolated in opposition before finally agreeing to accept the launch of the Doha Round.

Now over the years it has changed. The odd man out now is the Obama administration. They are just not playing. I think there is a deal on the table; I think we could move on it, but President Obama has not yet appointed his ambassador to the WTO. That reflects that is not a priority. It also reflects that he does not want to use any of his political credit on the international trade front. There is no way you can have a trade deal in the United States, without a President using his political capital, twisting arms in Congress which has a lot of power in international trade. A lot more than Canadian parliament has, more than almost any other parliament in the world. So the US Trade Representative (CUSTR) and the President of the United States have to be very active on that front and at

this moment the Obama administration is not. So it is clear in my view that Canada has a very important interest in the WTO.

I know these days it is not fashionable to be critical of bilateral trade deals because the multilateral system is broken. I have read some about my years in office saying that I neglected bilateral deals but the Americans and the European Union did negotiate deals, extract good deals from individual countries because they offer three hundred million consumers; they offer huge markets. There comes Chile or whatever country around the world. When they negotiate with the Americans and Europeans, they have to pay a high price to get access to those large and rich markets. The bigger players call the shots and can extract. Where is the trade minister of Canada with 30 million consumers in the balance?

Further, in my years the show was the WTO because we have the Canada/US free trade agreement, turned NAFTA, which covered more than 85% of our trade. So when you have the WTO multilateral system and with these bilateral deals you cover 85% of what you do, you may very well agitate yourself on fifteen bilateral trade agreements that monopolize the time of your trade negotiators you are still going to reach three, four, five percent of your trade and it costs a lot of energy and you don't have very much to put in the balance. [Therefore] I think the future of trade policy in Canada remains the multilateral system because not only does it help us for the other fifteen percent, but it also helps us to straighten up things with the United States. When we negotiate something at the WTO, the WTO rules apply as well on our trade with the United States.

Let me just conclude on one thing before we open to the floor. I don't think it is that the American consumer will reemerge as the engine of world growth because the poor fellow is in debt like it is impossible to be and the American government is in terrible debt like it is not possible to be. So the American consumer cannot emerge as the engine of world growth that he has been since World War II. Americans have big challenges on that front but there is a middle class emerging in Brazil, in India, in China, in so many other countries. We have to look beyond the United States. I am *not* saying ignore the US. We will continue to prosper and develop based on the United States market, but the United States will no longer lead the world alone, because they have weakened themselves very much. I think Americans will continue to lead the world for a few more decades. I think no one is ready to replace the US as the leader. I think China is not ready for prime time, but the United States will no longer be able to lead the world on their own. They will have to make all kinds of consultations, first of all with their banker. (As you know when you want to spend money, if you have huge debt, you have to speak with your banker first.) The Americans have, unfortunately, put themselves exactly in that situation. They can't do anything without first talking to Beijing and that means that they will no longer lead the world. They will continue to lead the world but they will have to do it by making a lot more consultations with the G20 which is not going to be what the G7 was. The G7 was a nice, comfortable club of like-minded, rich guys who met once a year to defend the status quo that had made them rich. The G20 has the challengers, the emerging forces who come to challenge the status quo and change the name of the game. It will not be as comfortable as the G7 which was just as nice comfortable club of like-minded people. And on that I will welcome your questions, comments, or I will talk further on whatever you would wish. Thank you very much.

Questions

Question: Could you please comment on Canada and China, specifically the Harper government's mission to China and what is to be expected in terms of future relations with the country?

Pierre Pettigrew: This is a very important question on the eve of Prime Minister Harper's long overdue trip to China; now let us just keep our fingers crossed that he says the right things. I think that for 50 years Canada has had a good relationship with China, and I am talking about all the governments that have led our country, from Prime Minister Diefenbaker who in the famine sent wheat to China during the famine of the 60s to Prime Minister Trudeau's Canada which was the first to recognize China in the second wave of recognition; we went to China two years before Nixon and Kissinger went to Beijing. And Chretien loved working with the Chinese leadership. In his ten years, Prime Minister Chretien met sixteen times with the Chinese leadership. Prime Minister Martin elevated the China relationship to a strategic partnership relationship. We have done a great job. Now over human rights we were always raising it. I signed the Canada-China WTO Accession treaty. I mean there is a way to put these things and still be respectful of the Chinese. If you say, "Since the Deng Xiaoping reform, Canada has been impressed with the progress economic freedom you have given in your country and, by the way, we appreciate you have elevated 400 million people above the poverty in China. Canada wants to accompany you towards further progress on the political freedoms and, therefore, we contribute a program of training the judges in China." I remember, in the House, getting attacked by the opposition who used to say the Chinese create manufactures and steal our jobs and we give them money. Well, we were training their judges; half of the judges in China are not lawyers. China does have the rule of law; the best thing we can do for our own interest is to help China land on the right side over political rights. So there is an engaging way to accompany China. I think Prime Minister Harper, at first when he gave the Dali Lama the honorary citizenship (which we had done for Nelson Mandela) and then we chose not to go to the Olympics, was a very bad start and it has been very costly. So David Emerson went; Stockwell Day went; Flaherty was there; and many ministers have begun to change that landscape: let us just keep our fingers crossed about Prime Minister Harper's visit next week. While respecting that China needs further progress on human rights and political rights, we can help them, not humiliate them on that front. So let us hope we can turn the page on unfortunate years that have been costly. That has damaged us significantly from a business and diplomatic point of view.

Question: Earlier you commented on how the world has changed. Could you comment on the Bretton Woods institutions role in this new international order?

Pierre Pettigrew: The two major changes are that American leadership and the Anglo-Saxon model of capitalism are no longer accepted as the only game in town. Many countries will say that this Anglo-Saxon model of capitalism that was seen as the unique model particularly since the implosion of the Soviet Union 1989-90, is no longer the only game in town. Therefore, with alternative models or alternative scenarios and rules, we have to make sure that the Bretton Woods institutions, when they give more power to the South, integrate them into a dynamic system that has demonstrated its worth. China at this time has the same number of votes at the IMF as Canada. Canada. We are great and fabulous, but

I think China deserves a more votes than Canada given its contribution to the world economy. Therefore, we have to take these institutions and make sure they reflect the new balance of power in terms and reflect a message that was not so unilateral and so self serving as the Washington consensus. I said that when I was Trade Minister. I lashed out at the Washington Consensus a number of times; deregulate, privatize, liberalize. It is all very nice, because it made the Canadians and Americans rich. We have national institutions and it is all very nice to privatize down the line, but to build them sometimes we need government support. So my view is that it is going to be a very different world because with the rise of the rest as some people say, the emerging economies will take a greater role. They will come with an ideology or values that are quite different. We will have to be a lot more modest about our model and about our own values, yet not giving up on them because, fundamentally, I think we were on the whole right. It is just that excess, unfortunately, made it collapse.

Question: I recently heard a talk by Michael Moore, which was extremely lively and critical of the role that agricultural subsidies play in international trade, specifically the perpetuation of structural inequities. Could you please comment on that and Canadian policy towards agricultural subsidies?

Pierre Pettigrew: That had to come. I am sure that any talk by Michael Moore would be very lively. Michael Moore was the Director General in Seattle; he is a New Zealander who loves to call himself Kiwi; and a Labour Kiwi union leader who, with very little education, achieved a great deal. He is a good friend. I have known Michael for a long time. He emerged as the leader after the most divisive election to the post of Director General of the WTO. Supachai of Thailand, and Michael Moore fought so hard to get that job that after years of infighting in the membership it was decided they would each do three years. This was a very bad decision but it was probably the only way out at that time. Now, when Michael Moore was a minister and before he became to be Prime Minister of New Zealand eliminated all subsidies, so I was not surprised Michael who as a union leader, eliminated all subsidies for the farmers in his own country and still, 20 years later, say that we should all do the same thing. Now is he right, absolutely. The cotton farmers of Mali cannot provide for their families because the cotton farmer of the U.S. gets \$150, 000 January 1st before he starts to produce any cotton. It is very hard to compete and it deflates the price of cotton on the world markets so much that the poor guy from Mali cannot raise his family. So are subsidies a bad thing? They absolutely are. From the 1950s, Americans made agricultural trade non-negotiable. Now Americans want these negotiations on trade, but with the very complex scenarios about subsidies. Between the EU and the Americans it is certainly a great impediment for the developing world which doesn't have the deep pockets of the US in terms of the subsidies. Even here in Canada we have reduced our subsidies. We have eliminated to Crow Rate; we have done away with a lot of things. So in Canada what we have done instead of subsidizing our farmers has been supply management of some dairy and poultry products which are about 8% of our agricultural production. Supply management is a system that has made dairy farmers very rich and quotas are now worth about \$18 to \$19 billion because you are given a guaranteed, stable price for your produce that you can go to the bank. When the son buys his father's dairy farm it will cost him a \$1 to 1.5 million but not for the land and the 22 cows. It is the quotas that are very expensive because they protect your market here. So Canada has that and I noticed that the Harper government had adopted exactly the same international trade policies as we did going in

the negotiations. But that is all about politics. It is not much about international trade policies but about ideologies.

I know Albertans are very often frustrated with Central Canada and Ottawa in general. Some of you should come to Quebec and see how we negotiate our votes. If you give your vote you don't get much against it. If you sell it, you will get something; you can extract something. But in Alberta people don't think that way; they don't like government, at least the central one, too much. Prime Minister Harper, to win a seat in Alberta with 26,000 or 18,000 votes, couldn't care less. I mean he gets the seat. He is after 30 seats in Quebec. Prime Minister Harper's obsession is 30 seats in Quebec; it is the only way he can form a majority government. So the trade policy is much influenced by that.

Question: I am an MBA student here at the University of Alberta and I am also a professional forester coming out the forestry industry. I am wondering if you could perhaps entertain an industry specific question that ties into our talk today about the United States not emerging out of this crisis as the engine. I come from an industry that, I think, has very much battened down the hatches and shed all expense and is waiting for the good times to come again. Do you think that industry in general will internalize what you see, in terms of the way things will be?

Pierre Pettigrew: You mean forestry. Beyond pulp and paper, you mean mostly softwood. Yes. OK. Because I think paper is another problem. At least we have the pulp and paper issue that is related to newspapers losing readership and this sort of thing, for all sorts of electronic reasons and the way people get informed now. On softwood lumber, there are two realities. Will the American market go back to building houses and needing our wood? Absolutely! Will they give access to Canadian softwood lumber? Absolutely not! I do not believe Americans will. Americans will manage trade in softwood lumber. I regret very much that our government when it took over from us decided to collapse the trade cases that we had won at the WTO and at NAFTA and decided to again go to a managed deal which is very much challenged in the United States at this moment and did not in my view guarantee very much for the industry. So in terms of the rules, given all the work that has been done to liberalize softwood lumber trade, and given the fact that after having won in front of panels...our own government went back to a managed agreement, I don't think there is another trade minister who will take on this fight again. Frankly if any of my successors asked me whether they should fight, I would say, it will take so much of your time and in the end it will collapse. Jean Chretien, my boss, told me that when I started that battle. The Prime Minister in Cabinet told me why don't walk out of this cabinet and go and make a deal with your friend Bob Zoellick in Washington. But the Canadian industry at that time did not want that. They were in a mode of going to the panels and I was consulting industry very, very closely in the provinces because you know it is a provincial responsibility, the practices of forestry. Honestly I think in his memoirs, Mr. Chretien likes to demonstrate how right he was on most things, and so I take a bit of a slap on that front. He was right but I hate to say that I was wrong. I think however we will not have free trade in soft lumber ever in the United States. Well forever is too long, let us say for the next 20 years.

Question: In your opinion, what is the most pressing trade related issue for knowledge based companies in Canada?

Pierre Pettigrew: All the progress we are trying to make on the respect of intellectual property which we in Canada don't have the best record in the world, may I hasten to add, it is in my view the biggest issue to obtain better rules around intellectual property. That is

in my view the biggest challenge but it is going to be very difficult with the rise of the East, the rise of the rest, to get into very stringent elements on that front.

Question: First of all, I was wondering what your opinion on sovereignty in terms of trade agreements. I believe the Afghanistan war highlights the issue, in that the maintenance of strong trade relations with the U.S. might have had some bearing on Canada's decision to enter Afghanistan. Second, you mentioned earlier Canada's heavy dependence on the U.S. market for exports. Do you think that we should be diversifying our export portfolio by enhancing our trade relations with countries such as China and India?

Pierre Pettigrew: Yes, in regards to last element of your question. It was Prime Minister Trudeau's third option to diversify our international markets and Prime Minister Trudeau, the Trudeau government, was very upset because of President Nixon's 10% imposition on all imports in the country and President Nixon had not seen fit to exclude Canada from that 10% in August of 69. It was a shocker, and therefore it was a very aggravated Prime Minister Trudeau who in foreign policy review that came in support of the third option which was not to be too dependent on the United States and... elsewhere. Well the problem is geography. It is so easy to sell to the Americans; they just love buying. They are rich and they consume and I mean I don't blame business people, if you can make millions of dollars next door, in a language you speak with a business culture you understand and a legal environment that is not a challenge, why go beyond that. I mean this is why we Trade Ministers always lead business delegations, trade missions to China and India and Brazil and Latin America and other ground. Why, because we really want to grow elsewhere, but it is a strong pull, it is very hard to get away from it because it is so easy to make business there. Now on the other question concerning sovereignty, the one motivation that brought me in politics in 1996 was the fight against corporate sovereignty. Prime Minister Chretien appointed me as a minister; I was not a member of parliament when I became a Cabinet Minister in January 1996, I was not even a member of the House and I was sworn in as a minister, probably most of you didn't think we could be minister without being a member of parliament, but we can, I am the living proof of that because I a minister without being a member of parliament. I always thought that fundamentally that sovereignty is enhanced and reinforced when actually share it. I don't believe in a sort of classical model of sovereignty I believe in sharing sovereignty. It is a different issue than the American one, but I just want you to understand where emotionally I come from. I am not jealous of sovereignty, incidentally I gave that line to some PM on NB who is selling hydro to Quebec lately and is using it now, and that sovereignty is actually enhanced when it is shared. Anyway, that is another issue. First of all I was Trade Minister when we made decision to go to Kandahar. Afghanistan we are there as members of NATO. We got involved there because that is where Osama bin laden was preparing his coups, and Canada is a country that is on the list of Al-Qaeda and the Taliban' were the one regime really protecting, there were objective reasons there and beyond the trade needs we have, I mean if I follow your logic we would have said yes to Iraq because I can tell you that after we said no to participating in the Iraq war, as the Trade Minister I would not have done a deal on softwood at that time, I was non grata as the trade minister, for months I could not go to Washington because I was from a country that had said no to Bush on Iraq. So if we had not been sovereign we would have had to say yes. But Britain and Australia and a number of other countries went; we did not. So my view is that I would be cautious in saying that we did do Afghanistan for trade treason because we said no to Iraq even though we had great trade interests in the US. But obviously whenever we make a decision there are a number

elements and clearly much of our prosperity depends on our success in the United States. I don't know if I answered your question.

Helmut Mach: I can tell in terms of my own perspectives on sovereignty, the ability to enter into an agreement is a demonstration of sovereignty that you are able to enter into a contract with another person and establish mutually agreed upon rules of conduct and you are far better of establishing mutually agreed upon rules of conduct than allowing everybody to act unilaterally, and this reinforces the concept of shared sovereignty. Whether it is the WTO the Canada/US Free Trade Agreement, or the NAFTA it establishes a basis of conduct between all parties to the agreement that each enters into using its sovereignty.

Pierre Pettigrew: The smaller the entity is, the more its sovereignty is reinforced, because at thirty-three million, what could we negotiate because we don't put all that much in the balance so I think that in these agreements, we bring some kind of legal order and rational that actually allows us to maintain our social programs and our prosperity.

Helmut Mach: Pierre Pettigrew mentioned the concept of the Anglo-Saxon model of market economy, and the greatest contribution the Anglo-Saxon model of the market has given to the world economy is the rule of law, specifically rules regarding contracts. It is the rule of law that is the main thing that allows economies to progress and thrive.

Question: What is your opinion on how the energy sector in Alberta is going to be affected in the not too distant future in regards to U.S. energy policy?

Pierre Pettigrew: I thought we were finishing at twelve. I am just joking. No it is a very pertinent question, and I am not an expert on energy and I am not an expert about our oil sands, what I do understand with all the prejudices and the noises around is that Alberta has a hell of a problem. Obama promised two things that are contradictory. He did that on a lot of things, but he did one particularly on energy because he promised security of supply, it is hardly any safer country and any safer than region than Alberta to provide that security. Certainly better than Chavez and Venezuela, and the Middle East which, as you know, is a very challenging region. But he also promised clean energy and this is where Alberta is challenged. I remember very well years ago when I was in government we could see that trend coming. But I do believe that we couldn't push Alberta at that time because of who we are in this province, I mean Albertans love to hate Liberals since the NEP program and I think that cost Alberta a lot that we couldn't push on you without crating alienation, some elements that could have in the end become a threat to the unity of our country. So given our lack of credibility in this province, we did not push enough and help Alberta prepare for this situation I which we are at this time. I think Alberta's done a lot of good work on the front of making, improving the environment record of the tar sands, a lot of investments have been made in doing a better job, but not nearly enough to satisfy that world public opinion and after the greed of the Bush after the greed of the Reagan-Thatcher era, the whole Obama will be a lot more realistic start. I mean the guy is and angel, he was doing community in Chicago instead of big bucks on Wall Street that what he chose to do. So, and Al Gore he was here and all over the place, so my view is that Alberta will have to stand up to the plate and my view is that Harper will push you around big time in the end. Because as only Nixon could go the China, it takes one guy like Harper to do like on the income trusts, you know as I see it's a lot easy for him, but we need to help Alberta prepare and double the pace of these things if we want to be credible post-Copenhagen. Honestly that is my best contrition I could make is to alert you, I have no political ambitions anymore, but get your act together guys otherwise you are going to be in big trouble.

Question: Regarding North/South relations in the context of the Bretton Woods institutions, what do consider to be the largest impediment to coordination of effective policy and overall improvement in these relations, specifically empowerment of the South?

Pierre Pettigrew: A lack of coherence in our institutions. and that is another thing when I was Trade Minister that I was really arguing time and time again was to develop a better coherence. I mean, the IMF was asking countries to raise tariffs because they wanted to government to have treasury, and as these countries have not any tax system across their territories the easiest tax to collect was tariffs, so you had the IMF dictating that for World Bank loans or something like this, the country should increase its tariffs and the WTO was about reducing and eliminating tariffs. There is a lack of coherence and we must get to confront that lack of coherence. So it is not one or the other that is wrong it is just our lack of coherence between the different organizations.

Question: If you were the Minister of Trade, right now, what would be your position on the trade of water with the United States, in the context of the NAFTA and the WTO?

Pierre Pettigrew: That is a very difficult one. First of all, we have not made any commitment in our trade deals whether multilateral WTO or bilateral NAFTA on the trade of water. I mean we do not have any obligations as far as international trade rules are concerned. Water is not considered a commodity as chair as a desk is, unless it is bottled but that is another thing. So we will have to be extremely careful about the management of that resource. I don't think the sovereignty line is an attainable one. Saying it is ours and ours to keep when people are lacking so much water that they could die and this and that we will have a responsibility down the line from a human point of view. At the same time, when I am in Las Cabos and I see a gold course being built with beautiful green stuff in the middle of the dessert and I see the water to irrigate it, 90% is actually drying by the sun before it, is absolutely wasted, because only one-tenth of that drop will reach the soil I am not sure I feel like sharing our resource for that sort of thing. So we will, in my view, have to come to a deep understanding of how it is used, the water, in order to be able, but we will have to live up to the plate there again and assume our responsibilities but surely when I see the challenges they have in California, but they still bother to do the Las Cabos thing, I mean I know it is in Mexico, but I mean it is by California and it is the same situation you will find somewhere else. I don't mean to be tough on the Mexicans, I love Mexico, but I don't think we should do big golf tournaments