

Bank of Montreal

U.S.-Canada Summit Welcome Remarks

Address delivered by

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This is Year two of BMO's partnership with the Eurasia Group, and I am pleased to welcome all of you here this morning to our U.S.-Canada Summit. A lot can happen in a year.

Just before we met last year, the world's most sophisticated fighter jet, using one of the world's most advanced missiles, had just shot down an errant "weather balloon" drifting across the Canada-U.S. homeland. This was remarkable for all the obvious reasons, but also for the unprecedented expression of the "regional" sovereignty of Canada and the United States, and the unambiguous collective action taken by our governments to defend it. And since last year, all signs are now pointing to a "Back to the Future" scenario at the top of the Republican and Democratic presidential tickets this November...*plus ça change, plus c'est la même chose*. Things have never been more interesting...until tomorrow. So, we have much to talk about today.

In terms of Canada's foreign policy and trade relationships, it goes without saying that there is no more important partner than the U.S. And, although it's a story less well told and less well understood on Wall Street and Main Street USA, that's also true of Canada's importance to the United States. Our shared geography makes it inevitable that we work together. People, goods and ideas have been moving across our shared border since the very beginning. While both governments talk endlessly about the importance of trade ties with Europe and China and emerging markets around the world, the fact remains: Year in, year out, we remain each other's best customers and best suppliers.

As we speak, just five hours down the road in Windsor-Detroit – the busiest border crossing between our two nations – there is just one narrow concrete slab, barely wider than this stage, that remains to be hoisted in place to connect both sides of the new Gordie Howe International Bridge. The new 2.5-kilometre bridge spanning the Detroit River will remove a major bottleneck and improve the flow of goods between our countries enormously. Can there be a better symbol of the trade relationship that binds the two countries together?

Speaking of trades: One of the trades you've agreed to by participating today is a commitment to candour and honesty about what's working and what's not. We've got an incredible group together today – on stage and in the room – and that's the price of admission. All of us doing our part to improve

the health of this most important bilateral relationship. Yes, there are other important relationships, notably our trilateral relationship with Mexico, but our objective today is to centre our work on the 49th parallel. So, in the hours ahead, we'll explore the state of the U.S.-Canada relationship, the trajectory it's on today, the trajectory it could be on tomorrow, and the factors that could change its course.

The public and private sector leaders here today are the people who will help guide us along the path we choose to follow. We need to plan carefully for the future. In less than two years, the rules governing the trade relationship between our two countries, and with Mexico, are eligible for review. While 2026 may seem like a lifetime away, everyone in this room knows that it's uncomfortably soon. I think it's fair to say that business communities and the public were caught off-guard when NAFTA was revisited. The experience of the renewal was one of the catalysts that led to our work with Eurasia Group to bring together groups like this one today. For all the good things we have going for us, large gaps still exist.

For example, six years ago, I'm not sure many Canadians truly understood the level of opposition to NAFTA that was brewing south of the border... nor how central it would become to hotly contested primaries and the Presidential election that followed. Stateside, many Americans did not and still don't fully appreciate the benefits of USMCA, especially the positive impact continental free trade has had for consumers. This lack of understanding made an already high-stakes negotiation even more challenging. We need to be more ready this time. And yet, while Mexico's election is now in the rear-view, elections in the U.S. and Canada are in the windshield – and until all the votes have been cast, we won't even know who will be sitting at the bargaining table in 2026. That will make a difference.

Last time around, it was Bob Lighthizer at the table for the U.S. as President Trump's Trade Representative. Since then, he's already made it clear there are changes to USMCA that he favours – including a reversal of a Disputes Panel ruling in 2022 that, he argues, would allow more Chinese content in automobiles. Writing in *Foreign Affairs* magazine last September, Ambassador Lighthizer made it clear that the sunset clause provides important leverage to the U.S. "If the United States is not satisfied with the way the agreement is working," he wrote, "it can insist on changes". What is indisputable – and this is true no matter who wins in

November – the negotiations promise to be as tough this time as they were five years ago. Trade negotiations – even between the closest of friends – are full of competing interests. Still, I think there is much we can do, even without knowing who will be President and who will be Prime Minister in 2025.

First and foremost, I believe, business and political leaders have a responsibility to promote and defend our unique partnership. Soon-to-be-reviewed cross-border agreements can be easy targets. It's too easy to caricature the proponents of more open and freer trade as simple champions of unfettered trade with little concern for socioeconomic effects. We can't afford to let the extraordinary consumer benefits of our continental collaboration get lost in the mix.

Private and public sector leaders must ensure the Main Street benefits of deeper partnership in an increasingly complex world are well understood and clearly communicated. We also need to make it clear how critical USMCA is to American and Canadian competitiveness in the world, especially in the face of China's enormous ambition to be the world's dominant economic force. The USMCA has surpassed US\$1.5 trillion as a regional trading bloc, accounting for almost 30% of global GDP – with the Canada-U.S. relationship comprising more than half of that. Thanks in part to the USMCA, U.S. trade volumes with Canada and Mexico are now 44% higher than with China. This "friend-shoring" is helping reduce our collective economic reliance on China and opens doors for North American companies. This is incredibly important for consumers in both our countries. It helps:

- Lower prices
- Support jobs
- Create better opportunities for businesses to scale and enhance productivity.

Canada needs the USMCA to hold its own, but the U.S. leadership position is much stronger too when it's at the centre of a very successful and reliable trading bloc. We both risk losing our competitive edge if we don't continue to invest in it.

This summit, then, is happening at the right time. We have the opportunity to raise awareness of the issues – and to make a humble, constructive contribution to bilateral efforts to find common ground on the interest and principles of the 2026 review. We will also discuss many more areas where our two countries can cooperate – like AI, climate change, life sciences: areas that present extraordinary opportunity, if we get it right.

Thank you all for being here to participate in this summit. And, on behalf of BMO Financial Group, my special thanks to Ian Bremmer and his team at Eurasia Group for all their work bringing together today's speakers for what promises to be a most enlightening and enjoyable day.

Thank you. *Merci beaucoup.*