Canada's three-pillar strategy for world's emerging mega markets

In the 1990s, global trade and investment patterns will undergo significant change as important new international agreements begin to make themselves fully felt.

In North America, trade and investment flows are already beginning to be shaped by the Free Trade Agreement that recently came into force between Canada and the United States.

Here in Europe, trade and investment flows are being significantly altered by the introduction of the many new measures that will create a Single Market by the end of 1992.

For Canada, these changes – along with the continuing rise in importance of the Asian-Pacific market – spell opportunity as well as challenge.

To help Canadian companies exploit the opportunities – and to meet the inevitable challenges – the Canadian government has developed a 'three-pillar strategy'.

This strategy – of particular interest to UK companies seeking a North American link that will help them exploit the world's emerging mega markets – was recently described in a speech by John Crosbie, Canada's minister for international trade.

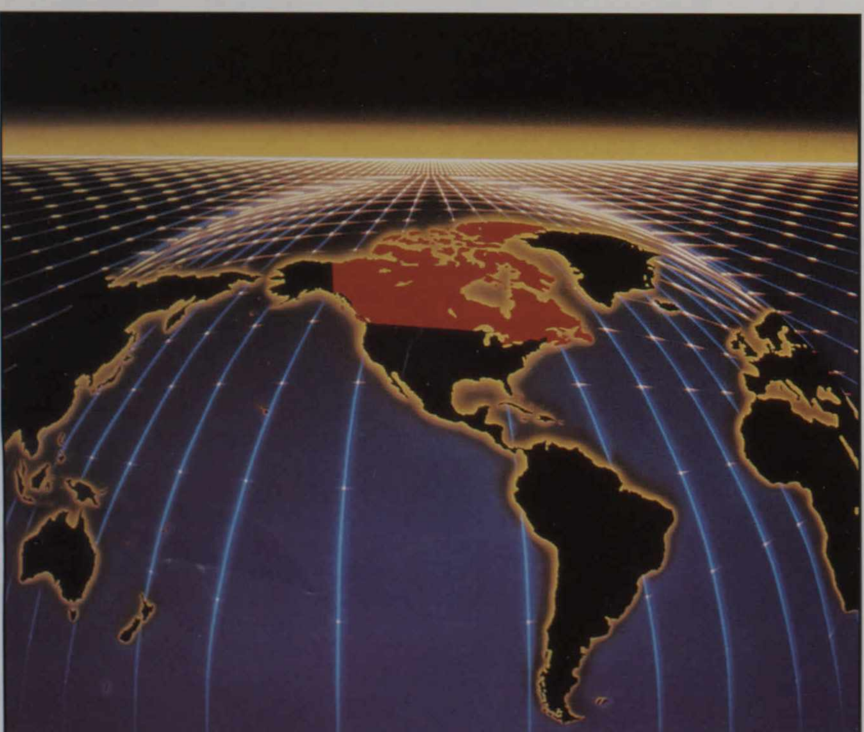
Below is an edited extract of that speech, explaining how Canada sees the FTA tying in with the Single Market of 1992.

I would suggest that to understand Canada's approach to 1992, it is useful to step back and place the process in its broader context – because trade, as never before, is being played out on a global canvas, with Europe and 1992 being only one part of the total picture.

In my opinion, that total picture would reflect three basic facts of modern economic life.

Fact number one is the emergence of the global triad – the three great pillars of economic activity in the global arena, which are North America; the European Community; and the Japanese centred, Asian Pacific mega market.

Canada is ideally situated for access to the three most dynamic economic regions of the world – North America, Europe and the Pacific Rim.



These three mega markets are of course, not new. Trade within each region has long been growing rapidly. Many of the institutional arrangements that underpin the triad, like the Treaty of Rome and the Canada-US Auto Pact, are decades old. The GATT, the general agreement that links these three pillars, is now 40 years old.

Fact number two, I would suggest, is that the focus of international commerce in value-added goods is moving towards more direct investment – in particular, setting up close to customers to maintain quality control, to meet the demands for just-in-time inventory practices, and to ensure intimate knowledge of local conditions.

And fact number three – one closely linked to investment – is the growing need for strategic corporate alliances, particularly in higher-technology sectors like aerospace and telecommunications. These alliances are necessary not only to share the risk of escalating development costs, but also to broaden the potential markets for eventual production.

Two fundamental goals

In devising the correct Canadian response to such trends, we set ourselves two fundamental goals.

One was to improve the ability of our companies to compete; and the second was to improve their opportunity to participate in all three markets.

Central to the issue of competitiveness is the Canada-US Free Trade Agreement (FTA).

The FTA will clearly improve the ability of Canadian-based enterprises to compete not just in North America, but also in the other two mega