



STATEMENT

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NOTES FOR AN ADDRESS BY

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It gives me great pleasure to be here with you today. I would have liked to use this opportunity to describe North America's strong and vital relationship with Europe. Instead I find myself contemplating two continents that are in danger of drifting apart.

This trend cannot be said to be the result of a conscious policy choice on either side of the Atlantic, although the relationship certainly does suffer at times from a sense of benign neglect. Our difficulties, more structural than political, seem to be at a deeper level--an inability to move from a transatlantic relationship defined primarily by strategic imperatives to one defined increasingly by our shared economic interests.

There can be little doubt that the end of the Cold War has served to weaken the strategic ties that bound our two continents together for almost fifty years. Until the collapse of the Berlin wall in 1989, it was largely the Soviet threat that kept the West together in a defensive alliance. Just as this threat has now disappeared, so too has the pressure to subordinate underlying economic tensions.

Gone as well are the ideological foundations that underpinned our strategic alliance. It has been suggested that the Cold War was not primarily a war of national interests, but a war of ideas. In politics, it was a struggle of liberal democracy against collectivist totalitarianism; in economics a struggle of open, competitive markets against stifling central planning and state ownership. To paraphrase King George V, however, "we are all capitalists nowadays". Moreover, global events are increasingly driven more by technological innovations than by ideological convictions. Just as it is sometimes difficult to identify the "enemy" in an international arena defined primarily by the interplay of economic forces, so too is it sometimes difficult to recognize the values and ideals that still bind us together.

In essence, then, North America's post-war strategic partnership with Europe has given way to growing economic rivalry to which we both seem unable to adjust. The most obvious expression of this is the rising pressure on each side of the Atlantic for exclusionary regional blocs. Europe, preoccupied as it is with recession, unemployment, an ill-defined eastern border and continued turmoil in the Balkans, seems, to some North Americans, to have turned increasingly inward. Only a short time ago, "Europe 1992" was held up as a model of openness for the world. Now these same policies of regional liberalization and harmonization seem less admirable if one additional goal is to reduce or even shut out global competition. Regardless of the lip-service paid to openness and liberalization, the impression among some Canadians is of a Europe wary of globalization, disillusioned with freer trade, and beset by a fortress mentality.

North America has also begun to consolidate its own internal arrangements, partly in response to developments in Europe. For some, the recently signed North American Free Trade Agreement [NAFTA] is but the first step toward an exclusive, self-reliant hemispheric bloc--a way of securing America's economic hinterland in a world of rising competition and declining market share. Even for those who do not share this parochial vision, it remains true that North America's policy focus is shifting increasingly to the Asia-Pacific region, and to the fast-growth economies of the South China coast--and, if only implicitly, away from Europe.

The danger of this trend for Canada cannot be overstated. Europe remains our next most important economic partner after the United States, regardless of perceptions to the contrary. Last year our merchandise trade with the countries of the European Union was valued at \$25 billion, or approximately £14.5 billion. Britain alone is the third largest market for Canadian exports worldwide, the second largest importer of Canadian manufactured products, the second largest supplier of direct foreign investment, and so on. The paradox remains that if our foreign relations can be characterized by increasing indifference, even isolation, our economic relations are only deepening.

How do we rebuild a critical transatlantic bridge? No doubt there are a number of existing institutional tools such as NATO or the OECD that could be employed more effectively to further our mutual interests. However, if we are indeed living in an era when "political diplomacy" is giving way to "economic diplomacy", then any meaningful effort to strengthen relations between Europe and North America must be primarily economic in nature.

One constructive step would be to commit ourselves to a policy of "open regionalism", i.e., the notion that existing continental arrangements should be defined less by regional exclusivity than by a shared commitment to deeper levels of free trade--a GATT-plus if you will.

The new government of Canada supported the North American Free Trade Agreement on the understanding that the three members would work together to clarify the continuing and vexing questions of what constitutes a subsidy, of how dumping should be dealt with in a free trade area, and how the dispute settlement procedures might thereby be more prompt and effective. Such improvements in NAFTA would render it more open and accessible. Beyond that, however, Canada supported the North American Free Trade Agreement on the understanding that it would become just that--a non-discriminatory, comprehensive free trade regime fundamentally open to all countries prepared to abide by its rules and disciplines. A clear commitment to enlarging the NAFTA free trade zone, we argued, would not only expand market opportunities for existing members, avoid the proliferation of bilateral trade agreements that have begun to characterize the western

hemisphere, and help reduce the perceived dominance of the United States; it would also contribute to the greater goal of trade liberalization world-wide by setting in train an external dynamic to reduce tariff and non-tariff barriers.

For this reason, Canada will do what it can to facilitate the broadening of the Agreement. And we shall continue to assert that future NAFTA partners need not to be limited solely to Latin America. Although there is every good reason to recognize Chile and perhaps other Latin American countries as likely candidates, there is also every good reason to recognize that the access clause of the NAFTA text does not speak of "western hemisphere countries" but simply "countries". For their part, Singapore, Australia, New Zealand, and South Korea have, in various ways, all expressed interest. Even a special relationship with the European Union--a new Atlantic bridge--cannot be beyond our collective wit if the political will can be generated on both sides. The point is that, used constructively and dynamically, our regional trade arrangements can serve to buttress, rather than undermine, the global trading system.

Yet perhaps the single most important structure for bridging the Atlantic in the years ahead lies with the newly-formed World Trade Organization [WTO]. After 50 years, the WTO will finally put international trade on a firm institutional basis by becoming, as originally envisaged at Bretton Woods, the third pillar of the world's economic and financial structure along with the World Bank and the International Monetary Fund [IMF]. It will oversee the operation of the agreements on trade in goods, services, intellectual property, investment and other technical agreements that make up the "single undertaking" we have accepted. Most importantly, the new WTO will set in motion a process of economic liberalization and harmonization which, if successful, will ultimately render meaningless any notion of regional exclusivity. In short, in a world of true free trade, preferential regional agreements will melt away like the snows of yesteryear.

If only for this reason, Canada intends to promote a quick start to the work of the new WTO. We shall actively encourage the international community to elaborate more fully a forward-looking work program that reflects Canadian interests as well as the new issues--especially trade and the environment and the possibility of replacing anti-dumping regimes with competition policy--that have arisen through greater global integration. Canada shall also actively encourage means by which the WTO, the World Bank, and the IMF can co-ordinate their efforts to reach mutually reinforcing policy objectives. Furthermore, we shall actively encourage the prompt and meaningful accession of China, Taiwan, Saudi Arabia and Russia to the new WTO regime of rights and obligations.

What will be the relationship between Canada and Europe in the years ahead? It is surely for us to decide. The most cursory reading of Canadian history reveals the great extent to which our culture, institutions, and economy have been defined by ties to Europe. We began as colonies of European powers: first of France, then of Britain. Our population reflects the strong impact of European immigration. We have collaborated in the prosecution of wars and in the maintenance of peace. Our common membership in international organizations such as the United Nations, NATO, the OECD and now the WTO should provide a dynamic context for reinforcing the commercial, social and cultural linkages that bind us together.

We also need the courage, however, to face the new realities, to change and adapt, to form new arrangements to reflect our new relationship. Of one thing I am certain--North America and Europe will need each other in the days ahead at least as much as we have in the past.