

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE,
TO THE
WALL STREET JOURNAL CONFERENCE ON THE AMERICAS

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My congratulations to the *Wall Street Journal* for organizing this conference. It provides a focus for one of the most exciting developments in the world today: the nascent movement toward the creation of a vast hemispheric economic area -- an area encompassing almost three-quarters of a billion people, stretching from the Arctic to the Antarctic.

I want to talk about Canada's perspective on this development -- to talk about Canada as a nation of the Americas -- and, more broadly, to talk about our approach to trade and economic policy in an age of globalization.

Globalization and the Policy Response

Over the past few years, the interdependence of national economies has accelerated. Spurred on by improvements in communications and transportation, and advances in business organization and finance, national barriers to international trade have shrunk dramatically. Flows of capital and knowledge are at least as important as the flow of goods in international exchange.

The international economy, of which we are now an integral part, is both complex and challenging. The competition for markets is keen and the number of players much greater than in the past.

The game is played differently. In the past, tariffs and other border measures were the issue. Today, the focus has shifted toward competition over domestic policies that attract both domestic and international investors. To some degree, there is also a competition for relationships among countries; a desire to be part of a winning combination of trade and investment partners.

Canada, with its enormous dependence on trade and investment, has pursued these international relationships with great vigour. For example, we are active in the Group of Seven leading industrialized countries (G-7), the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Co-operation and Development (OECD), the North Atlantic Treaty Organization (NATO), the Commonwealth, la Francophonie, the Conference on Co-operation and Security in Europe (CSCE), the Asia-Pacific Economic Co-operation Council, the Quadrilateral Trade Ministers and so on. All of these links are useful in strengthening our global interests.

A major focus of that strengthening process now lies in enhancing our role as a nation of the Americas. The opening act came in 1988, when Canada, building on the tenets of the multilateral trading system and strengthening our pre-eminent bilateral relationship, signed the Canada-U.S. Free Trade Agreement (FTA).

Not only has Canadian merchandise trade with the United States increased by 10.7 per cent for the first three years of FTA

implementation -- from \$292.5 billion in the period 1986-88 to \$323.7 billion in the period 1989-91 -- but our trade has become steadily more diversified and more competitive as new exporters, new products and new markets are added to our export profile. In short, it has proven to be the catalyst through which Canadian industry is adjusting to the challenges and opportunities of globalization.

Today, finished products, including advanced technology products such as telecommunications, account for 45 per cent of our exports, matching our exports of resource products.

In October 1989, Canada announced a new Latin America strategy designed to strengthen our participation in hemispheric affairs. Our decision to become a full member of the Organization of American States, in January 1990, signalled this new emphasis.

Last month, Canada, along with Mexico and the United States, concluded negotiations for a North American Free Trade Agreement (NAFTA). It builds on the FTA to create a market base of 360 million people and a Gross Domestic Product (GDP) of seven trillion dollars. This is a major step in our strategy for the Americas, one that will have profound consequences for Canada and the hemisphere. We are equipping ourselves to meet the challenge of globalization and competition by crafting an agreement that will be trade-creating and outward-looking.

My government's approach to the challenges of international globalization and competitiveness also underlies our domestic policy initiatives. Since taking office in 1984, we have worked to create a resilient, private-sector-led economy -- an economy able to respond quickly and effectively to the changing challenges and opportunities of a globalized era.

Three interrelated and mutually reinforcing goals are at the heart of the Government's economic strategy of privatization, deregulation and fiscal restraint:

- to remove obstacles to growth,
- to encourage entrepreneurship and risk-taking, and
- to support those in genuine need who cannot adapt quickly enough to changing circumstances.

So far, our strategy is working.

At 1.2 per cent, Canadian inflation is now the lowest among industrialized countries -- in fact, lower than it has been for 30 years -- and interest rates have fallen significantly. Various think tanks suggest that our productivity performance may improve by as much as 8 to 10 per cent in 1992 and 1993.

Just last week, the International Monetary Fund predicted that Canada's real GDP will rise by 4.5 per cent next year -- the fastest rate of growth among all the industrialized nations.

While those figures are encouraging, we know we have got to keep pushing to make the Canadian economy more competitive. It is evident that Canadians need to concentrate more energy on technological innovation and developing new partnerships among business, labour, educators, a variety of interest groups and all levels of government. We've got to reduce internal trade barriers, find more effective ways to raise investment capital and improve our education and training system.

The government has focused attention on these issues during the past year through an extensive series of consultations with individual Canadians under what I've called the Prosperity Initiative. Canadians recognize their competitive strengths. We also realize that we must adapt to the demands of today's world economy. And, above all, Canadians are internationalists.

The Uruguay Round

Canadians have long believed that the key to improving living standards, not only in our own country but the world over, is to pursue trade liberalization everywhere. This position is best demonstrated by our continuing involvement in the development of the GATT.

Since its inception in 1947, the GATT not only helped bring about a tenfold increase in world trade but, in the process, has helped to boost Canadian's real per-capita GDP from around \$9,000 in 1950 to more than \$22,000 today (barely 1.8 per cent below that of the U.S.).

Now, as the GATT aims for a further cuts in tariffs and a broadening of the rules to cover agriculture, services, and intellectual property, the stage is set for new gains in trade and prosperity -- worldwide. For those reasons, the successful completion of the Uruguay Round of Multilateral Trade Negotiations (MTN) remains our number one trade policy priority.

Because of our tremendous dependence on trade -- over one-quarter of our economy -- perhaps no country has been more disappointed than my own that the world community has not yet been successful in completing the Uruguay Round.

For those of you who may be losing hope in the current round of negotiations, let me say that there is light at the end of the tunnel. But reaching that light demands hard work, political will and a fundamental commitment to trade liberalization. A comprehensive, balanced and substantive result is within our grasp.

Let's not lose sight of the major progress that has been made in the GATT negotiations since last winter. I refer of course to the Dunkel draft text of the Final Act produced last December; to the agreement within the European Community (EC) on agricultural reform; to the narrowing of differences between the EC, the U.S. and the Cairns group on agriculture; and to the confidence expressed by the G-7 leaders at Munich in July that the round could be completed by the end of this year.

The door is now open for a renewed push for the successful completion of the Uruguay Round. We must not lose this opportunity.

The GATT-NAFTA Connection

Of course, some critics have argued that the Canada-U.S. Free Trade Agreement, and now the proposed North American Free Trade Agreement, mean that we are turning our back on the GATT and the multilateral trading system.

This simply is not the case. In fact, the best rebuttal of that charge was offered by the Director General of the GATT himself. In a speech in Rio de Janeiro four weeks ago, he said:

"Multilateralism and regionalism can co-exist; better, they actually reinforce one another ... the founders of GATT never thought to place global and regional approaches to trade liberalization in opposition but considered them to be two sides of the same coin."

Rather than hindering the multilateral process, the NAFTA should provide an impetus to the successful conclusion of the Uruguay Round. It will encourage renewed interest in achieving a major MTN market access result, one of the principal negotiating areas still outstanding. It will also show other newly industrialized and developing countries that they, like Mexico, can successfully enter into freer trading relationships with developed countries. This is very important to us.

The NAFTA is a comprehensive agreement, possibly the most comprehensive trade agreement in history. Like the FTA before it and the Closer Economic Relations (CER) Agreement between Australia and New Zealand, the NAFTA is based on a concept of open regionalism. It could serve as the model for future trade-expanding initiatives in other regions.

Let me briefly outline some of the key elements of the NAFTA that make this a major step toward global trade and investment liberalization.

- Most of Mexico's tariffs and non-tariff barriers such as import licences will be eliminated within 10 years. This is quite an achievement when one thinks back to a decade ago when Mexico, a developing country, had one of the most restrictive trade regimes in the world.
- A set of clearer and more predictable rules of origin have been established. Undeniably, this is a plus to traders and investors, both inside and outside the NAFTA region, who are seeking an environment of more certainty and one less susceptible to disputes.
- We have established a clear framework to ensure the continuing growth of automotive production based in all three NAFTA countries.
- A wide range of services are covered in the Agreement; this reinforces the movement toward a big services liberalization package in the GATT.
- There is comprehensive coverage of intellectual property, including standards and enforcement. The benefits that this will bring to creators and investors in leading-edge sectors is obvious.
- Improved, more transparent standards are encouraged, including, for the first time, standards for transportation and telecommunications services.
- Innovative provisions in the Agreement also cover the environment. Given the growing interest in environmental matters around the world, these NAFTA provisions might well serve as building blocks for future trade agreements.
- There are major disciplines on the use of trade-distorting investment restrictions, ensuring that Canada and other NAFTA countries remain preferred sites for domestic and foreign investment.
- All three countries have agreed to a large government procurement package covering not only goods, but also services, including construction services; this will be encouraging to those who are seeking a big procurement package in Geneva.
- There is a stronger dispute-settlement system. Exporters and investors around the world will be reassured that their interests will be effectively defended in a more transparent and enforceable dispute-settlement system.

- Finally -- and this is a key point for the future -- there is an accession clause providing for other countries or groups of countries to join the NAFTA.

By tying together a market of more than 360 million people, NAFTA will generate tremendous new trade and investment opportunities not only within North America but also worldwide. And let us be clear: the more ambitious the reduction of barriers to trade and investment achieved in the multilateral trade negotiations, the less the relative preference available within regional trading arrangements will be. It is in the hands of the multilateral leaders to answer the need for lowered barriers worldwide.

Canada, the NAFTA and Latin America

Latin America has certainly demonstrated great courage and leadership in its moves toward trade and investment liberalization, structural adjustment, privatization of state enterprises and other market-oriented economic reforms. It draws energy from the movement toward greater democracy, human rights and environmental protection.

All major Latin American countries have joined the GATT, and other countries are in the process of doing so. Tariffs and non-tariff barriers are declining, creating early prospects for increased competition and efficiency.

Within the region, the Mercosur is designed to move the economies of Brazil, Argentina, Uruguay and Paraguay into a more open, liberal and integrated trading framework. Through stages, the Andean Pact member nations are seeking to implement the essential elements of a customs union. The Central American states are moving toward the development of a common market, and the Caribbean Community (CARICOM) countries foresee strengthening their economic integration, trade and investment liberalization.

With these developments, optimistic forecasts of higher growth and much lower inflation for the region are becoming part of the Latin American fabric. Fiscal austerity is gaining momentum. Debt-reduction plans have reached varying stages but are on course with the International Monetary Fund, Paris Club and private banks. Indeed several countries have successfully reentered the international capital markets.

The business environment in the region is also evolving, characterized by the emergence of significant new market opportunities. Canadian links with the newly emerging Latin American and Caribbean private sector are prospering with reform. As the privatization process is broadened, Canadians are building those company-to-company links necessary to be a "contender" and a partner for the region.

For Canada, the buzzwords are strategic partnering, joint venturing, competitive and flexible financing, business leadership and targeted market niche sectors. We're designing strategies for different products for select markets, building on the experiences of those familiar with the region and promoting longer-term business relationships.

If one defines "globalization" as "no place to hide," then Canada needs to be a part of this environment. We can't stand aside.

I am already seeing signs of growing Canadian interest.

- Two-way trade between Canada and Latin America will exceed \$8.5 billion in 1991, up 9 per cent from 1990. In the first six months of 1992, our exports to Latin America are up 15 per cent from the same period last year.
- The asset value of Canadian investment in Latin America now tops \$6 billion, with Brazil accounting for about \$4 billion.
- Canadian companies -- like Northern Telecom, Nova Corp, Bank of Nova Scotia, Bombardier, General Electric, Bell Canada, Systemhouse, Cominco, Alcan, Falconbridge, Petro Canada, Noranda, Moore and Teleglobe, plus an array of small- and medium-sized Canadian companies -- are redoubling their efforts in the region, with some success.
- Looking just at Mexico: in the six months leading up to the NAFTA handshake, Canada's exports to Mexico were roughly double the same period in 1991. So far this year, our embassy in Mexico has received three times the number of Canadian business visitors as last year.

The focus of the present agreement is North American, but its importance is more than North American; it is also critical to Latin America.

What we discovered when we negotiated alongside the Mexicans in the NAFTA was that we share many common values, aspirations and concerns. We share these same sentiments with many others in the hemisphere and we must welcome the opportunity to bring new members into NAFTA when they are ready.

Why? Put simply, because the policies that underpin the Agreement offer the greatest prospect for promoting sustainable economic development in the region. As NAFTA fosters economic growth, it fosters economic stability, and economic stability fosters political stability.

I also believe that through trade agreements such as the NAFTA, in which disciplines are imposed on how that trade is conducted,

we can help to institutionalize the kinds of economic reforms that Latin America has undertaken. Latin America is on the move, and Canada is going to be part of that momentum.

It is through trade and investment, and let me emphasize that I am talking about two-way trade and investment, that all the citizens of this hemisphere can prosper. That is why I strongly support the accession clause contained in the draft North American Free Trade Agreement. It opens the door for any country to apply for membership, providing it meets the NAFTA rules and is accepted by the NAFTA partners.

A leading Canadian editorialist, William Thorsell, recently wrote that, because of the accession clause, "NAFTA is probably the most progressive economic initiative for developing countries since the end of Empire."

Let me repeat that: "NAFTA is probably the most progressive economic initiative for developing countries since the end of Empire." What an opportunity we now have before us!

NAFTA is not just good trade policy, it is also good foreign policy. For Canada, it is a strong complement to our involvement in the Organization of American States and the Inter-American Development Bank, both of which open up new facets of the relationship.

In short, Canada is also on the move, becoming a much more active player in hemispheric affairs. The partnership that is developing will make all of us more competitive, more prosperous, more able to meet the challenges and opportunities of globalization.

Thank you.