

STATEMENT DISCOURS

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Notes for a speech by the
Right Honourable Joe Clark,
Secretary of State for
External Affairs, to
the Rotary Club

CALGARY

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On November 8, Michael Wilson delivered before Parliament and the nation an important message from the Government. In the economic statement, he set out for Canadians the direction the Government proposes to take to fulfill our mandate for change - change in policies, change in approaches, a change in the way Government goes about its business.

Canadians are aware that this country has been missing opportunities to create new growth and jobs. You and I know that our competitive position has eroded over the years, and that incomes have barely kept pace with inflation. The confidence in the future that we all shared at the time of the centennial seems now to have slipped away.

If we are to get back on our feet, if we are to begin to take control of our own destiny and to shape the kind of future we as Canadians want, then we need first and foremost to face up to our very real economic problems.

The economic statement told Canadians that the Government is prepared to lead in a process of economic renewal. We are starting first by putting our own house in order. But we will need the ideas and support and will of the Canadian people from all walks of life to succeed in our broader goal of putting Canada back on the world economic map.

Many of the points Michael Wilson made in the economic statement have direct relevance to my particular areas of interest - foreign affairs and trade. The statement recognized a need to encourage Canadian enterprise to seek out new world markets, and I and my colleagues intend to give such encouragement. It noted that the time has come to correct some of the policies and programs of the past that have sent wrong signals abroad, signals that Canada had turned inward and did not welcome foreign investment, particularly in the energy sector. We are changing that. We are also determined as a government to do what is necessary to foster greater innovation and increased international competitiveness.

And the economic statement underlined the need for the government to bring about the changes it was elected to carry out in a way that is fair, open and consistent.

These are all important themes that I would ask you to keep in mind as I speak to you today, for these are themes that have very concrete meaning when it comes to issues of trade of foreign relations.

In many ways, the change Michael Wilson began is the easy part of our economic challenge. Virtually everyone agrees that we in Canada had to stop our plunge into debt, and the debate, generally, is about particular cuts and concepts. But the country knows we had to stop the spending spree. John Crosbie and I remember when the consensus about restraint was not so strong.

But there is no doubt that, this fall, the knowledge of public support made it easier for Ministers to identify \$4.2 billion in expenditure cuts.

I will speak at other times about the importance of public support for starting the restraint which so many arm-chair Prime Ministers have recommended for so long. But today, I want to focus on a more important Canadian economic challenge, where the options are not so clear, and public opinion not so well-formed. I refer to our future in trade, and the most urgent question that raises for the future of Canada's economic relations with the United States.

For most people, Canada/U.S. relations is a matter of emotions, not economics. The United States of America makes some of us nervous, and some of us proud. But most Canadians react emotionally to the U.S. and there is nothing wrong with that. However, I would ask you today to step back from emotion, and look at the prospects of a fantastically rich country of twenty-five million inhabitants, sharing a continent with a competitor and a market of two hundred and forty million, and sharing a world with nations whose labour and technology challenge everything we know.

Ask yourself whether a country can compete by producing for twenty-five million when its neighbour has a home market ten times that size. Ask if keeping walls - even low walls - around that country would lock wealth in or keep it out. Then ask how the smaller nation should play its hand in the face of a bigger neighbour which has the same tastes and talents and technology, magnified tenfold.

Obviously, economic questions cannot be seen in a vacuum. A country is always more than its Gross National Product and our ability to take advantage of economic opportunities is determined by our character as a country.

I have been active in my country over the last two decades, in positions that have required me to keep my eyes open, and I believe we have moved quietly into a new maturity as a nation. We have been a young country for a long time, but somewhere between the discovery of Imperial No. 1 and Marc Garneau's voyage into space, we have become more sure of ourselves. Part of that had to do with a sense of equality in our regional communities. There has been a dramatic evolution of self-confidence in Québec and, for different reasons, in our region of Western Canada, and that is bound to influence Canadians as a whole. But quite apart from our geographical and cultural communities, these last few decades have seen a burst in Canadian accomplishment - literature, science, investment, invention, painting, sport - you name the field.

Confidence and accomplishment nourish one another, and I argue that we are better able to stand on our own than we have

ever been. The modern purpose of Canadian nationalism is to express ourselves, not to protect ourselves.

And that again brings me back to our primary foreign policy challenge: our relationship with United States.

Our Government has made no secret of its determination to restore a spirit of goodwill and true partnership in our dealings with the United States.

Much of the discussion on the policies of the new Government has singled out particular programmes - changes in the National Energy Program or in FIRA. There will be changes in those programs - the details will come after we have completed consultations with Canadian provincial governments and other Canadian groups that are affected. However, rather than speculate on what we will do, I would like today to talk about why we will do it. I want to open a debate, not close it. I want to indicate some of the assumptions on which I, as a Minister in the new Government, am acting and to invite you and other Canadians to propose practical alternative ideas that would allow Canada to excel - not just to survive and certainly not to diminish, but to excel - in a changed and a changing world.

The attention we are giving to programs like the NEP and FIRA do illustrate a point. I need not remind this audience that Canadians who live in small towns like those of the Pembina oil field tend to judge the success of the NEP less by the television commercials of Petro Canada, and more by the exploration jobs and the service jobs that were lost here. The same is true elsewhere across Canada. If you are a Development Officer in Scarborough or Longueuil, you tend to see foreign investment in terms of jobs, not sovereignty. The people in the Pembina field or in Longueuil or in Scarborough may be mistaken, but on September 4th they were pretty emphatic. They think that the programs that I have mentioned are wrong for Canadian reasons - not for foreign reasons, but Canadian reasons. And that is the point. Often those changes will influence our relations with other countries, but that is a secondary consequence. They do not work effectively as Canadian policy, and our Government has a mandate - in our view an obligation - to change programs that have not worked.

I want also to underline our commitment to the world beyond North America. One risk in giving such early priority to relations with our largest trading partner is that the suspicion can grow that we are ignoring our other opportunities and our other obligations in the world. Our actions will continue to demonstrate that this priority is neither exclusive nor excessive. We have a commitment to the wide world - to the GATT, to the Non-Proliferation Treaty, to relieving the drought and famine in Africa, to markets in Asia and Europe and the Middle-East. Those and other issues require, and will receive, active Canadian attention. Part of the job the Prime Minister gave me is to

ensure that Canada continues to see the world whole, and I will do that.

But part of seeing the world whole is to recognize modern economic realities. Canada has to face five facts of life.

First, more than most countries, we are a trading nation. We are three times more dependent on trade than the United States. We cannot escape that reality. Selling Alberta's gas only to Toronto, or Ontario's manufactured products only to Canadian consumers is simply not enough.

Second, we live in a competitive flexible world. Within our lifetime, Japan has gone from toys, to radios, to ship-building, to cars, to high-technology. Now, we find the same phenomenon in different stages in Korea, and Hong Kong and Brazil and Mexico. A potential for similar development is occurring in China, the Philippines, Thailand and India. In another way, the members of the European Community have also adapted to changing reality, by joining together to build and expand their common market.

Third, the terms of trade have been working against the resource base on which Canadian growth has depended. In the 1950s, for example, Canada supplied 90% of the world's nickel, but competition from abroad has cut our share today to a third of that level. And yet we are becoming more - not less - dependent on trade in primary goods, which accounted for a quarter of our trade in 1971, a third in 1981. We have simply not been as fast as our competition in adjusting to a changing world.

Fourth, the United States is our largest market and accounts for over seventy percent of our trade. We sell \$19 billion in cars, trucks and parts to the United States annually, \$4 billion in natural gas, \$3½ billion in oil, \$3 billion in newsprint, and so on. This is the trade market that so many jobs in Canada depend on.

Fifth, protectionism is a growing force around the world and protectionist sentiment is strong in the United States. We have just scraped through with narrow escapes from proposed United States actions to place new restrictions on imports of soft-wood, lumber, steel and copper. Just for a moment, imagine the consequences if the United States decisions had gone the other way. We cannot continue to rely on the existing rules, on diplomatic efforts, and on the balance of United States domestic forces to keep open the vital access our export-oriented economy needs to survive and prosper.

We did not choose these realities, nor do we control them. Japan and Korea did not need our permission to become and remain aggressively competitive. The United Kingdom did not ask our permission to embrace the larger European market and leave the

Commonwealth preference aside. The United States did not consult Canada before it created Silicon Valley. That's the way the world works.

No one is going to look after Canada except Canada. The only way we can look after ourselves - with our immense potential and our small population - is to become highly competitive, and build on those interests we share with others, including particularly our interest in a more open world trading system.

I make this point because there is often a romantic notion that Canada's natural wealth - or ingenuity or character - make us immune to the changes that are transforming the world. In dealing specifically with the question of trade with the United States, there is a temptation for Canadians to believe that we can grow without changing. That is a dangerous illusion, because it stops us from thinking about how we build a strong future of our own.

We all want to build a strong and free Canada, but I recognize there are different points of view on how to do this. Let me address myself for a moment to those nationalists who oppose the idea of closer association with the United States. In the next few months, the Government will be publishing some "options" about the nature of Canada's future trading relationship with the United States. One option, advanced by the previous government and still alive, is sectoral free trade. Another may be a more comprehensive free trade arrangement with safeguards. A third could be pursuit of a set of incremental improvements. Each of these options - and undoubtedly, some others - has advantages and disadvantages for Canada, and these have to be weighed carefully.

The one option we will not propose is the option of doing nothing, because we believe that would be fatal to Canadian prosperity and, thus, fatal to Canadian independence. We depend on exports for close to 25 percent of our Gross National Product. Such a nation cannot stand still in a world that is shaken and shaped by new competitiveness, technology and protectionism. Nor can we turn back to some happier and more isolated time. I remember, dimly, the Grey Cup victory of 1948 - but whatever is wrong with the Stampeders today, it will not be cured by bringing back Fritz Hansen. We have to deal with tomorrow on tomorrow's terms.

Perhaps there is an option that offers a realistic alternative to a closer economic association with the United States. If there is, my colleagues and I genuinely want to hear about it and examine it. In the debate we hope to generate, those Canadians who worry about the United States owe their country more than warnings about what we can't do. They owe us detailed realistic proposals about how Canada could prosper in the future by keeping our distance from our neighbour and our largest trading partner. Every proposal - including those the Government puts

forward - requires thorough discussion and criticism. But given the undoubted need to change, I think it is fair to ask the critics to propose. At this stage in the life of our country, we need options, not just objections.

The desire for change that Canadians expressed on September 4 did not spring up suddenly last summer. It has been building for some time, and reflects a considered sense that old ways weren't working. The Government's mandate is to re-examine - and to change - attitudes that are out of date. The Government's responsibility is to use this exceptional national mandate to bring long-term opportunity and growth to our country.

The issues in the headlines are about famine and metric and journalists in foreign jails. The issue in the medium-term is how we encourage our economy to generate permanent and modern jobs. But the issue that will mean most to this particular country - with our wealth, and our regions and our ambition - is how we move on top of a changing world economy. It is a question of trade, and ability to compete.

In recent decades, other countries have outperformed us. It is more than an embarrassment. It is a threat to our ability to deliver the kind of future Canadians have come to expect. The new Government has a mandate to change old ways that didn't work. The country has an opportunity to take initiatives that can assure a strong future. In our judgment, that requires a closer working relationship with the United States. The form and terms of that relationship requires extensive, honest, self-confident debate.

Canadians have a lot to be proud of. We have things to say, accomplishments to boast of and experiences of our own that the world would like to hear. We have our own set of priorities, our own national purpose, our own vision of what the world should be, and our own values. Here lies the best answer to those who are concerned about our future as a distinctive nation on this continent. Our identity depends not on the quality of our fences, but on our eagerness to get out and compete and participate on the world stage. I think it makes a great deal of sense to start next door.