

STATEMENTS
AND
SPEECHES



DÉCLARATIONS
ET
DISCOURS

90/7

Notes for a speech by
the Honourable John C. Crosbie,
Minister for International Trade,
at the CSCE Conference on
Economic Co-operation in Europe

Bonn, Federal Republic of Germany
April 10, 1990

Mr. Chairman,

It is a great pleasure and honour for me to address fellow delegates, especially in this city of Bonn, at this critical time in European and world history. Canada, long a partner in Europe, long a partner in the CSCE,* is fully committed to what I believe will be Europe's second renaissance.

This extraordinarily successful Bonn meeting on economic cooperation in Europe has many achievements to be proud of, and I will want to discuss some of these later. All of us owe a large debt to the government and people of the Federal Republic of Germany, whose foresight, determination and skill have ensured that this conference is such a success.

Perhaps the most remarkable characteristic of the Bonn Conference has been our graduation from confrontation to common cause. This progressive convergence among CSCE nations throws open the door to a new Europe.

Let us imagine what this new Europe can look like twenty years from now if we grasp the great opportunities before us. I see a new European space; the new Europe is a pillar of world peace, prosperity and stability.

Think of what this economic space could look like in twenty years. The European Community has successfully attained economic and monetary union. A single European currency. Capital markets stretch from London to Prague to Moscow. Every European country in the GATT, in the IMF and the World Bank. And in the powerful new international trade organization which emerged after the successful conclusion of the Uruguay Round of trade negotiations.

The phrase "economies in transition" will have vanished from the European vocabulary. Countries of Central and Eastern Europe will have reassumed their historical legacies. Their advances in research, technology and sustainable economic growth will benefit not only their own citizens but also the wider global community.

In this vision, the European/North American partnership is stronger than ever. Both continents are richer because of the widened trade and investment opportunities offered by the

* Conference on Security and Co-operation in Europe

Canada/U.S.A. Free Trade Agreement and European economic and monetary union.

This partnership has proven instrumental in the fight against protectionism, and in the formation of a free and open international trading culture.

By transatlantic leadership and example the world will also have reversed the global threat to our environment.

Is this new Europe of the year 2010 wishful thinking? I do not believe so. The only real question is: "Can we grasp the opportunities that history today offers us?" The democratic revolutions of 1989 and the ongoing reforms in the U.S.S.R. offer unparalleled opportunities to create a prosperous, peaceful and stable world order.

Building the new Europe will involve a number of problems. You have discussed here, in great detail, many of these. There are in my view two broad challenges which must be met to make the European renaissance a reality.

First, there must be a successful transition from command to market-oriented economies.

Second, the key institutions that serve Europe, including the CSCE itself, must aid this transition. Canada therefore is pleased to have cosponsored the proposal to follow up this conference with initiatives by governments and the experts of our institutions and business to sustain this transition process.

Canadians have never been more ready to share our experience and expertise. We strongly believe solid transatlantic links will be an important element in meeting these challenges. Millions of Canadians trace their ancestral roots to the European continent. They want to see Canada build even more productive ties throughout Europe, especially now that the barriers of the past have been torn down.

The first broad challenge, ensuring a successful transition from command to market-oriented economies, is one of enormous magnitude. The policy mixes necessary will vary in each country, but the broad directions of change are clear. These have been discussed extensively by participants here in Bonn.

At this conference we have heard a great deal of practical discussion, particularly by business representatives, about the structural and economic changes needed: (a) market pricing in order to lead to efficient resource allocation; (b) currency convertibility to achieve the full benefits of international trade; (c) the creation of a dynamic private sector particularly

built on small and medium-size business; (d) market disciplines for state-owned industries; (e) sound fiscal and monetary policies.

The challenges facing the Soviet Union are of the greatest magnitude.

The U.S.S.R. has taken some steps which will help build a firm foundation for economic development, such as the introduction of legislation allowing some private control of land and factories. We can see the day when other fundamental economic reforms, such as market pricing, convertibility for the rouble, and outright ownership of land and resources will be implemented.

The Canadian Government supports President Gorbachev's reforms, and we are taking a number of practical steps to improve the commercial ties between our two countries.

During Prime Minister Mulroney's visit to the U.S.S.R. a few months ago, a large number of important commercial agreements were signed, and a Canada/U.S.S.R. Business Council and trade task force were set up to study ways to build trade and investment between our two countries.

These steps not only deepen the bilateral relations between Canada and the U.S.S.R., they add impetus to the economic transformation of the U.S.S.R.

Business people in Canada and other CSCE states want to broaden their participation in the economy of the U.S.S.R.; further economic reforms on the part of Soviet authorities would dramatically increase the amount of private capital and expertise available to the Soviet economy.

Ensuring the orderly transformation of the countries of Central and Eastern Europe is equally pressing.

This process, underway at various stages in all Central and Eastern European countries of the CSCE, will inevitably produce some wrenching adjustments to national economies and societies.

The Polish program is perhaps the most comprehensive and advanced, and already the expected shocks have begun to hit. Yet, Poland's leaders are courageously staying the course, aiming to establish the economic, legal and institutional basis for a private-sector market economy in just one year.

As one Polish economist has described his country's efforts at achieving a rapid transformation of the Polish economy, "You don't try to cross a chasm in two jumps."

What can other CSCE countries do to support these fundamental economic changes? Our goal at the present stage should be to do what we can to minimize shock and ease the transition.

This is why Canada has played an active part in the initiatives undertaken by the Group of 24 to support the process of reform in Poland and Hungary, providing technical and managerial training in areas where Canada excels. Canada will support other packages of economic assistance as they are developed for other countries of Central and Eastern Europe.

The very advice that the OECD provides industrialized countries on making their economies more efficient can be of use to the Central and East European countries as they move to market economies. Canada has encouraged the OECD to provide technical advice and assistance to Central and Eastern European countries inter alia through the new "Centre for Cooperation with European Countries in Transition". The Economic Commission of Europe also has a constructive role to play in consolidating reform.

Canada is also actively involved in the current negotiations to establish the European Bank for Reconstruction and Development (EBRD). This bank will have a more distinctive orientation than other regional development banks in that its purpose (Article 1) states clearly that loans will only be extended to countries which have adopted the principles of multiparty democracy and market economies.

Bilaterally, Canada recently concluded foreign investment protection agreements with the U.S.S.R. and Poland, and is negotiating similar agreements with Czechoslovakia and Hungary.

But this first broad challenge of massive economic transition cannot be met without at the same time succeeding with the second: institutional change.

At this time of transition, of uncertainty and yet great hope, it is important that key institutions such as the European Community and the CSCE adapt to play an important stabilizing role.

Canadian entrepreneurs, some of whom are of Central and Eastern European origin are pursuing business opportunities there with the full support of the Canadian Government. Two, Andrew Sarlos and Thomas Bata, are with me today.

The role of global economic institutions in assisting the transformation of the U.S.S.R. and the Central and Eastern European countries and integrating them into the international economic system cannot be underestimated. The IMF is already playing a leading role in the Polish, Hungarian and Yugoslav programmes of adjustment through its advice and balance of

payments support, and will doubtless be involved with other countries.

We should also remember that the multilateral trading system is anchored in the GATT. Membership involves obligations but delivers benefits entirely consistent with the objectives of those who are reforming their economies based on market-oriented principles. Canada has therefore been an early supporter of the U.S.S.R. request for observer status.

The European Community is a key element for economic growth and prosperity in Europe. While other countries and institutions are just beginning massive transformations, the EC's openness to the Central and Eastern European economies will be important for their development as market economies as well as a catalyst for their modernization.

A European Community committed to open markets will also be a potent force for world-wide economic growth and a more open world trade and payments system.

The European Community will remain a linchpin of Canada's relations with the new Europe. My government intends to expand institutional linkages between Canada and the EC, and to expand cooperation with the EC on a wide variety of issues bilaterally and in a host of multilateral bodies. Canada also recognizes the important role of the member countries of EFTA in assisting economies in transition and in the EFTA/EC efforts to further liberalize their own trading relationship.

Providing the stones for new foundation for this new house of Europe which we are building together with such great hope and care will be the CSCE of the 1990s.

The 1975 Helsinki accords have rightly been called the high-water mark of detente in the 1970s.

The CSCE Summit later this year may well be seen by historians as marking the beginning of a radically new entente in the 1990s among all European and North American nations.

Canada will work to ensure that this new entente leads not only to a prosperous, peaceful and stable Europe, but towards a more prosperous, peaceful and stable world.

The CSCE Summit will likely mark the occasion of a major arms control agreement in Europe; but leaders will also want to deal with many of the issues arising from this conference.

They should take the first concrete steps towards revitalizing the CSCE, transforming it from an institution of East/West

detente into one reflecting the goals and values of the new pan-European and North American entente.

Of particular importance to me, and I'm sure other delegates, will be the discussions among leaders regarding economic cooperation. We want to ensure that the economic dimension is permanent, that it has its own place in an institutionalized CSCE together with the security and human dimensions. Particularly Canada supports meetings within the CSCE aimed at periodic review of progress and providing new impulses for economic relations among participating states.

This should not, and will not in my view, duplicate or undermine the valuable work being done by existing economic organizations.

Canada, which has played such an active role within the CSCE in the past, will continue to do so as the CSCE is adapted to reflect the political and economic realities of even stronger links between the countries of Eastern and Western Europe and North America.

There are no easy answers to meeting these two interlinked challenges of economic transition and institutional change. The lure of protectionism will remain strong, and the rigours of trade and investment liberalization sometimes painful.

For the countries of the CSCE to succeed in transforming the economies of Europe so that peace and prosperity can be guaranteed, we need a shared vision on how to proceed into the future. In your work here over the past weeks, you have begun to forge that sense of shared vision.

I commend your efforts and the impressive concluding document which you have produced. The role of the European Community in bringing forward the initial draft concluding document, and the United States for its work on the Bonn Principles deserve particular praise. Their efforts of course would not have been successful without the forthcoming attitudes of our East European colleagues and all member states of the CSCE.

As the first CSCE Conference to take place since the remarkable revolutions of 1989, and as the first major CSCE meeting devoted entirely to economic cooperation, Canada considers the Bonn Economic Conference of great importance. This conference may be seen as marking a turning point in world history, the beginning of a new era of multilateral economic cooperation for the CSCE region, and for the whole world trading community. Bonn's concluding document will be remembered for having set in train measures which led to the convertibility of all European currencies, established clear principles of economic conduct, liberalized investment regulations, and which improved the free

flow of essential business information. Above all, the concluding document has recognized the need for a partnership between governments, whose primary role is to create conditions for entrepreneurial risk and initiative, and business people, who actually undertake these risks and initiatives.

The government/business partnership has been underlined throughout this Bonn Conference by the active participation of men and women of business in all our work groups. Their experience and advice has ensured that the concluding document embodies realistic assessments of the great challenges we face together. I thank the business representatives of my own delegation and the hundreds of others who have actively contributed to the success of this Bonn meeting.

Without the essential involvement of the private sector, government efforts lack a critical dimension. The Canadian Government will continue to work in close partnership with Canadian business people so that the challenges before us can be met.

The next step which we must take is to begin to realize some of the new trade opportunities which have been discussed. This will demand a good deal of cooperation, capital, and imagination. Major adjustments to institutions, laws and habits, will all be involved if physical plant is to be up-graded.

Bonn has helped to shape a common vision of how we can approach these great challenges in the economic transformation of Europe, and I believe it will come to be seen as a key catalyst to the successful economic integration of Europe.

This new Europe, this renaissance Europe, will not only have invigorated the economies of the U.S.S.R. and Central and Eastern Europe, but it will be a powerful political and economic force behind the creation of a more open, more prosperous, more peaceful, and more stable world.

Canada, long a partner in Europe, long a partner in the CSCE, fully shares this vision with other European and North American nations. Together, we can arrive at a radically new entente in the 1990s. Canada will do its part to make this a reality.

Thank you, Mr. Chairman.