

Statement

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SPEECH BY

THE RIGHT HONOURABLE JOE CLARK,

SECRETARY OF STATE FOR EXTERNAL AFFAIRS,

TO THE

BUSINESS COUNCIL OF BRITISH COLUMBIA

Vancouver, B.C.

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Secretary of State  
for  
External Affairs

Secrétaire d'État  
aux  
Affaires extérieures

Canada

## SYNOPSIS

- Today Canada faces growing economic challenges as more countries are competitive with us and more markets are open to us. Three major trading and economic powers -- the U.S., Europe and the Pacific are each being transformed as they adjust to global political, social, economic and technological changes.
- Canada must also adapt. The small size of our domestic market, our capital needs, and the importance of continued access to new technology means we must be open to the world.
- A major step in rising to this economic challenge was the negotiation of the Free Trade Agreement with the U.S.
- The Agreement ensures Canada's full participation in the rebirth of state-of-the-art North American technologies and thus makes us much more competitive in the world.
- We must also be prepared to deal with important changes in the economies of Europe and Asia.
- To meet the challenge of Europe 1992, we plan four initiatives:
  - A "European Challenge Campaign" to study and explain the implications, technical requirements and market opportunities of the post-1992 European market to Canadians;
  - A "European Trade Policy Strategy" to strengthen our ability to effectively pursue Canada's interests with the European Commission and in key European capitals;
  - A "European Trade and Investment Development Strategy" for sectors that offer real potential for Canadian companies;
  - A "Canada-Europe Science and Technology Strategy" to establish new bridges of trade and technology.
- To meet the challenge of the growing influence and affluence of the Asian economies, we are following a Pacific 2000 strategy, a five-year package of initiatives which build on the FTA and strengthen our ability to deal with Asia Pacific. These initiatives include:
  - an enhanced Pacific Trade Strategy to help Canadian business compete in the expanding markets of Asia Pacific;
  - a Japan Science and Technology Fund to strengthen Canada's scientific and technological base through cooperation with Japanese research institutes.
  - a Pacific 2000 Language and Awareness Fund so more Canadians will speak Asian languages and understand Asian cultures; and,
  - a Pacific 2000 Projects Fund so that Canada becomes better known in Asia Pacific.
- Canada's trade policy must be global in its application.

I am pleased to address this conference in "Opportunities and Challenges - Making Free Trade Work for You" because it is time we move away in earnest from the emotions of the earlier debates on free trade and get on with the business of the day, which is making it work.

The real question for Canadians today is how we make the most of our opportunities in a rapidly changing world.

That change is everywhere - in world politics, world economics, the new care we take of our air and water.

Some of the change is particularly interesting. In Europe, countries that fought one another for centuries are forming a unified single market. In the Soviet Union, economics replace ideology in that powerful nation's decisions. As peace breaks out, all over the world, economic strength has become a real alternative to military might in influencing global developments.

Canada has always been a trading nation

- but now we are in a world in which more countries are competitive with us, and more markets are open to us. We are at the crossroads of three major trading and economic powers - the U.S., Europe, and the Pacific. Each is being transformed, as they adjust to global political, social, economic and technological changes.

What are these changes?

First, the premium today is on innovation. Ideas are now the passport to prosperity.

Technology has become the driving force of the international economy in this post industrial era. High technology industries and our universities are the foundation of long term economic strength and influence.

Second, a new competitive situation is emerging.

Natural resources, long considered synonymous with economic power, are taking a progressively smaller proportion of the world's income. New economic powers are emerging.

Third, capital has become more mobile, moving, literally, at the speed of light. As barriers to financial flows go down, a worldwide capital market is emerging.

Fourth, new business practices and consumer tastes demand specialization in a world where product life is calculated in months, not years.

These changes lead inevitably to new kinds of economic arrangements. These happen around the world - in Europe with the European Community, and the European Free Trade Association: in Asia with the Association of South East Asian Nations and the Closer Economic Relations Agreement between Australia and New Zealand. Similar groupings can be found in the Caribbean, in Latin America, in Africa, and, of course, in North America, with our Free Trade Agreement.

The member nations of the European Economic Community intend to remove all remaining internal barriers to trade by 1992, creating the largest single industrialized market in the world.

It will result in a sophisticated, concentrated, single market of 320 million consumers. The impact in Europe will be tremendous:

- a 4.5% increase in GNP;
- the creation of 1.8 million new jobs;
- a 10% increase in internal trade; and
- a 10% increase in EEC exports to the rest of the world.

Japan has become an economic powerhouse of the first order. With the world's 21 largest financial institutions and the world's largest stock market Japan is now the foremost source of capital extant. It has also become the largest aid donor in the world. By the turn of the century its overseas assets could exceed a staggering 3 trillion dollars.

But it too is adapting. Responding in part to developments in Europe and concerned with its over reliance on the American market, Japan is expanding its trade and investment throughout the Pacific region.

Meanwhile, the emerging economics of the Pacific Basin, the so-called Newly Industrialized Economies - such as Taiwan, Korea, Hong Kong and Singapore - present a dramatic challenge to the industrialized world.

Malaysia, Thailand, China and other countries in the region are not far behind. Korea and Taiwan now have large and growing trade surpluses and they are constantly adjusting into higher value added production as their labour costs rise. Both countries are now aid donors.

Right next door to us, in our largest export market, the United States is involved today in a major effort to regain the competitive edge in international markets.

The world is changing, and so is Canada.

Our economic prosperity has always relied upon a strong export sector. Nearly one third of our GDP is related to trade and no country in the industrialized world has more interest than we do in a vibrant and thriving world trading system. The small size of our domestic market, our capital needs and the importance of continued access to new technology leave Canada no choice but to be open to the world.

But our economic growth and well-being are also critically dependent upon a stable and secure access to the U.S. market. Our trade with the U.S. has grown faster than with any other area, including Europe and Asia, despite recent, very significant progress in these two continents. Simply put, Canadian business has taken advantage of the booming U.S. market on our doorstep.

That increased importance of the U.S. market made it imperative that we enhance our security of access and that we put ourselves in a position of strength to deal with the changes that transform the world trading system.

This is what the Free Trade Agreement is all about.

That Agreement is part and parcel of our multilateral approach to trade. Because we rely so much on trade, we would have most to lose from any withering away of multilateral rules, a great deal to gain from strengthening that system. That is why Canada plays such a leading role in the Uruguay Round of Multilateral Trade Negotiations.

At the same time, the Agreement puts us in a position to capitalize on our unique location and key relationship with each of the major trading areas of the world and to work towards building bridges between them.

Today, the FTA is a reality and the challenge now is to make this great instrument work, to respond to the opportunities it presents for the private sector.

The FTA mechanisms are in place and functioning as anticipated. Appropriate steps have been or are being taken on dispute settlement, adjustment and sectoral strategies. Key decisions on trade support program in the U.S. are being implemented.

Earlier this week, federal and provincial Ministers responsible for Trade met in Ottawa to prepare for the future. Thorough consultations with the private sector were one of the principal reasons for the success of the negotiations, and we will rely on the ITAC and the SAGITs to help us ensure effective implementation.

There will be tough times. The FTA provides the framework for managing trade disputes with the U.S.; it doesn't eliminate them, or make them easier to negotiate. And the subsidy negotiations will be no piece of cake.

But, the Agreement provides Canadian firms with the economies of scale and the stronger competitive base required to pursue opportunities everywhere in the world.

It lets Canada seize the opportunities that will emerge from European unification.

It helps us take advantage of the immense Asian export and capital markets.

All that depends, of course, on Canadian firms adapting new technologies and marketing techniques. But the FTA makes us world-scale, and that is a big step forward.

The Government is acutely aware of our duty to alert Canadians to changes in Europe and Asia and to target key sectors for export growth.

To meet the challenge of Europe 1992, we plan four major initiatives:

- A "European challenge campaign" to study and explain the implications, technical requirements and market opportunities of the post-1992 European market to Canadians.
- A "European Trade policy strategy" to strengthen our ability to effectively pursue Canada's interests with the European Commission and in key European capitals.
- "A European trade and investment development strategy" for sectors that offer real potential for Canadian companies.
- "A Canada-Europe science and technology strategy", to establish new bridges of trade and technology.

There is an equal challenge across the Pacific, with the growing influence and affluence of the Asian economies and their export-led growth.

We are following a Pacific 2000 strategy, a five year package of initiatives which build on the Free Trade Agreement and strengthen Canadians' ability to deal with Asia Pacific. The initiatives include:

- An enhanced Pacific Trade Strategy to help Canadian business compete in the expanding markets of Asia Pacific.
- A Japan Science and Technology Fund to strengthen Canada's scientific and technological base through cooperation with Japanese research institutes.
- A Pacific 2000 Language and Awareness Fund so more Canadians will speak Asian languages and understand Asian cultures.
- A Pacific 2000 Projects Fund so that Canada becomes better known in Asia Pacific.

Canada's trade policy can only be global. The Free Trade Agreement with the U.S. will ensure Canada's full participation in the rebirth of state-of-the-art North American technologies. That makes us much more competitive in the world. It lets us "go global". Some people saw the FTA as a sign that Canada was turning away from the world, and locking ourselves in this continent. It means the opposite - it gives us the scale and the scope to compete in a wide world that is changing dramatically.

We have in this country world-class industries and world-class financial institutions. Our economy is diversified and strong. We are well equipped to prosper. Canadians have the fundamental ability, the skills and the talents to compete successfully in the future as we have in the past.

Our responsibility is to provide the opportunities and the environment to ensure that these talents are used to the fullest of their capabilities. We would be failing our youth and our future if we did not reach out and compete in the changing world we see before us.