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**STATEMENT**

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**NOTES FOR AN ADDRESS**

**BY THE HONOURABLE ROY MACLAREN,  
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TO THE AMERICAS SOCIETY**

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It gives me great pleasure to be here with you today. The Americas Society has long provided an important and distinguished forum for discussing issues of common concern to the countries that share the western hemisphere. Its role is clearly much more important at a time when North America's future direction in the world seems unclear.

In a rather cheerless passage in his recent book, Henry Kissinger describes America as a mere "island off the shore of the Eurasian land mass." This image of North America as an island is a significant one, not simply because of the obvious geopolitical implications, but because it expresses how many North Americans feel in a world in which they are no longer pre-eminent, and which seems to some increasingly uncertain and unstable. Not since the 1920s and 1930s has isolationism had a more pervasive, if superficial, appeal in public discourse. Not since the United States' refusal to participate in the League of Nations has North America's willingness to exercise leadership seemed so ambivalent.

Indeed, certain parallels with the decades after the First World War are striking. Then, as now, strategic alliances had given way to economic rivalries and competition. Then, as now, problems associated with economic insecurity created pressures for domestic protection. Then, as now, the choice for North America was between leading in the creation of new forms of international co-operation or turning inward on itself.

The danger facing North America today is that we might allow history to repeat itself. It is one of the paradoxes of globalization that as economies have grown more interdependent, national governments have become increasingly preoccupied with problems of economic adjustment and advantage. None of us can escape these pressures, including Canada. But of particular concern, because of the sheer size and magnitude of its economy, is the current trade agenda of the United States which, influenced by protectionist lobbies and interests, shows a worrying tendency toward unilateralism in its dealings with the world. Last week in Washington I used the opportunity to talk about the current state of the Canada/United States bilateral trade relationship. Although we have created the world's largest trade relationship — one in which the vast majority of our two-way trade flows without impediment — we still face a number of corrosive disputes that reflect, for the most part, the triumph of selective sectoral, domestic, political interests over national interests.

The critical question is whether this is part of a broader pattern of U.S. trade policy. Already, there are a number of worrying signs. Consensus support for multilaterally negotiated rules and procedures is being challenged by calls for "managed trade", "numerical targets" and "results-oriented" policies. Underpinning this approach are ideas associated with so-called strategic trade policy or neo-mercantilism. Powerful players act

as if multilateral, regional and bilateral negotiations are little more than simple manoeuvres in an international "us" versus "them" war for jobs, growth and most important, technology. Trade becomes a zero sum game, a win/lose struggle of the economically fittest. The logic that a "beggar-thy-neighbour" trade policy, while perhaps providing the appearance of gain and relative advantage over the short term, leads only to diminished growth and employment over the longer run, risks being forgotten in the scramble for economic security.

The danger of this trend for the global economic order can hardly be overstated. It was, after all, North America's postwar economic leadership that was instrumental in creating those liberal trade and payments system so central to the expansion of the world economy. It was the foresight we demonstrated at Bretton Woods that helped to build the great multilateral institutions of the last 50 years — the World Bank, the International Monetary Fund and the General Agreement on Tariffs and Trade. And it was our common resolve that helped to drive successive rounds of GATT trade liberalization, including the latest and farthest-reaching agreement in Marrakesh. The success of this open, multilateralist trade policy should not be measured simply in terms of the unprecedented expansion of world trade since 1945. The success must also be measured in the dynamism and strength of the North American economy today.

In the same way, North America's continued global economic leadership will not be secured by retreating from multilateral trade — by becoming "an island unto itself." Our economic strength now and in the future depends fundamentally on our willingness to take a leading role in building a more open, rules-based trading system, in forging new relations and in building new structures that, over time, can extend the reach of the international trading order.

The NAFTA [North American Free Trade Agreement] can provide a nucleus for building a more open, more dynamic global trading order. It can do so, however, only if it reflects our collective desire, not to protect domestic or regional interests against competition, but to enable these interests to benefit from a more comprehensive rules-based regime. That is, we must recommit ourselves to a wider and deeper level of free trade. At a minimum, this means living by both the letter and the spirit of the existing agreement. Without the ability to look beyond narrow, short-term interests and to keep our focus on the shared national goal of sustained economic growth, we know from experience that the sterile forces of protectionism will work inexorably to turn the clock backwards.

We must set our collective sights on moving the NAFTA forward — on building a broader and deeper agreement. On the one hand, this means ensuring that it remains fundamentally open to all

countries that are prepared to abide by its rules and disciplines. I would remind you that the NAFTA accession clause does not limit membership to the Americas — that expansion is in no way constrained by a north-south axis — although clearly interest at this point is highest in this hemisphere, starting with Chile. Yet what should — and must — remain the litmus test for membership is a willingness to commit to more intensive, more comprehensive rules-based trade.

On the other hand, as we focus on new members, we must also focus on the opportunities for deepening the NAFTA — a logical outcome of the greater economic integration of North America. In the NAFTA we have created certain mechanisms and rules to help make this happen. In the months and years ahead, some 25 NAFTA commissions, committees and working groups will deal with the nuts and bolts questions of enhancing our free trade area. The higher political profile has gone to the Labour and Environment Commissions, but there are many other NAFTA groups that will meet regularly to address the more prosaic stuff of trade — rules of origin, quality standards for agriculture, telecommunications standards, labelling of textile and apparel goods, temporary entry for business people — and so forth.

By far the two most important — and most far-reaching — of these working groups are the ones established recently to clarify how subsidies and dumping should be dealt with in our free trade area, and how we should work to establish common rules of trade among the three NAFTA partners. It will not be an easy task to agree on these issues, but our success in this endeavour will signal whether North America's common economic interests can transcend narrower domestic concerns.

This, in turn, will have implications well beyond North America. It would show other countries that refuse to address our market access and market reform objectives that, in addition to our commitment to the World Trade Organization [WTO], North America has a long-term strategy and a clear policy direction. It would demonstrate that we at least are committed to a more open, more structured, more plurilateral international economic order. It would also underline for those countries unwilling to move toward greater liberalization that they risk being left behind in the wake of dynamic regionalism.

Indeed, perhaps the principal value of the NAFTA in the long run is its potential to set in motion an external, competitive dynamic to reduce tariff and non-tariff barriers worldwide — its potential, that is, to kick-start a new round of global trade liberalization. For ultimately, it is to the multilateral trading system in general — and to the newly created World Trade Organization in particular — that we must look for the long-term future of free trade.

Already, the link between what we have done trilaterally and the broader multilateral trade agenda has been a direct one. For example, on the issue of trade and environment, the discussions that have taken place in the GATT reflect our negotiating experience with the two NAFTA side agreements. In dealing with the ambitious agenda we face at the WTO, especially on newly emerging trade issues, the NAFTA could again provide a crucible for forging a new consensus and for developing new approaches as we seek to expand the boundaries of the rules-based trading system.

The precise nature of future international undertakings on these new "trade" issues is unclear. Issues underlying the relationship between trade and labour standards, trade and competition policy and trade and investment are something with which all nations are grappling. Although I shall not attempt to set out here all the policy choices that lie before us — in any event the international trading system is now too complex to be amenable to single policy prescriptions — we can commit ourselves to the principles that must guide us in shaping a new global economic order.

First, Canada does not support the use of trade sanctions to impose standards of conduct. This may be easy to understand in the Canada/United States context, where we fought hard against such a provision in the NAFTA side agreement negotiations. That position is just as applicable in the multilateral arena. Quite apart from the question of fairness, in a world that is becoming increasingly interdependent, where the one common denominator is adherence to a market-based system, the costs of authorizing any one country to use its economic muscle to impose its own standards are too high for all.

Second, we in Canada are mindful of the need to guard against the possibility that new rules can become a vehicle for new protectionism, unless they are carefully worded and unless they reflect a broad international consensus. In this respect, we are sensitive to the concerns of those countries — developing and developed alike — which fear that new rules may be aimed at erecting barriers to their exports.

Third, Canada does want to ensure that the rules of the multilateral trading system are complementary to, and not contrary to, the attainment of broader societal objectives. In the case of trade and environment, we are committed to the goal of sustainable development. With respect to trade and labour standards, we endorse the need for compliance with internationally recognized labour standards.

Finally, in developing national positions, we must involve all interests in our society — provinces and states, NGOs [non-governmental organizations], unions and the private sector.

Without their considered input, we run the risk of promoting policies that do not reflect societal consensus. Trade negotiations have become more complicated, more intrusive and more domestic than they have ever been in the past; they will become even more so in the years ahead. If we are serious about framing international rules that will change not only our external trade relations, but the internal ordering of our societies, then we have to ensure that this domestic consensus is achieved through meaningful consultation and cooperation.

But to do this, we in North America must first reaffirm our commitment to open, liberalized trade. We must reject unilateral power and uphold the principles of multilateral rule making, as embodied above all in the new WTO. We must reassert our leadership in the global trading order.

The world is now watching the United States and the way in which Congress implements the Uruguay Round legislation. How this important business is addressed will profoundly influence the way the rest of the world treats the Uruguay Round result and, indeed, the future health of the multilateral trading system.

Shall we together continue to exercise the necessary leadership? And if not, who will? Europe seems preoccupied with its own internal difficulties and suspicious of global competition. In Asia, it is a question of whether certain countries adhere to the principles of market economics, let alone to more open trade. To some extent, the reality of this diverse and interdependent global economy is something with which Canada is more familiar than the United States. Canada, as a middle power reliant on international trade, has had to work hard at developing procedures and institutions that allow the rule of law to prevail over the rule of force. Faced with the realities of diminishing relative economic power and increasing dependence on global trade, it is my sense that this reality is becoming more immediate for the United States as well.