

Statement

Discours

Department of
External
Affairs



Ministère des
Affaires
extérieures

88/27

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NOTES FOR A SPEECH

BY THE RIGHT HONOURABLE JOE CLARK,
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
TO THE EDMONTON CHAMBER OF COMMERCE

"CANADA IN THE GLOBAL ECONOMY"

EDMONTON, ALBERTA

April 20, 1988.

Secretary of State
for
External Affairs

Secrétaire d'État
aux
Affaires extérieures

Canada

It's a great pleasure to be at home with you today. I have been here, in Alberta for the week. I decided to bring my Department along and run Canada's foreign policy from home-base. We are providing the full services of External Affairs from Edmonton. I have with me trade experts, foreign policy experts and senior officials whom I thought should be exposed to the openness and optimism of life in the West.

I bring you greetings from John Crosbie, Canada's new Minister of Foreign Trade. He has already met with Clayton Yeutter in Washington, and has just hosted the quadrilateral meeting of trade ministers of Japan, The European Community and the United States in Vancouver last weekend. He is delighted to have inherited the trade portfolio and he is looking forward to visiting Alberta in his new capacity. I told him the West was crucial for Canada's economy and he has now agreed to put it on par with Newfoundland.

I want to speak to you about international trade and the international economy. This is a time of changes, of choices, and of decisions, both globally and nationally. This is a time that requires the whole nation to reflect the confidence and enterprise which are characteristic of the West.

We are in a new economic age. The post-war years have seen enormous expansion in the world economy, based on the liberalization of trade under the General Agreement of Tariffs and Trade (GATT). This expansion has been interrupted by downturns like the 1981-82 recession, and by the great oil shocks. But the overall trend towards growth and expansion is clear and graphic.

The growth has been especially clear right here at home in Canada. Since we were elected, just over three and a half years ago the economic achievements have been tremendous:

- more than 1.2 million jobs have been created;
- the unemployment rate has fallen from 11.7% to 7.8% as of February;
- in the last three years we have created jobs at a faster rate than has any other country in the OECD;
- the Bank of Canada rate has fallen by more than 3.5 percentage points; bank and mortgage rates have fallen similarly;
- the deficit has been cut by one quarter in dollar terms and by almost one half in relation to economic output;

-- and in the last three years our economy grew at a faster rate than any other major OECD economy;

These are but some of the numbers that reflect the prosperity we have achieved. Other indicators - whether real income investment or others -- have all improved as well.

All this success was based on giving greater play to private economic forces. Contrast the experience of countries that chose to compete and those that chose to cut themselves off from the world trading system. Compare, for instance, the level of economic development and prosperity of closed economies around the world -- Albania in Europe or Burma and North Korea in Asia -- against that of their more open neighbours, whether Switzerland or Thailand or South Korea. Even the great state-trading countries, the U.S.S.R. and China, are drawing closer to the interational trade and payments system, and adapting their trading practices to it.

Why? Because they have discovered that even very large economies lose out in growth when they are cut off from global markets, the stimulus of foreign competition, the flux of new ideas and technologies, and the enterprise that accompanies modern investment. Here in Canada we have known for years that innovation and specialization, inspired by international competition, is one key to the success of enterprises big and small.

Forty years of expansion have drawn the world economy together into an interdependent web of trade and financial flows. The last two decades have witnessed an enormous growth in global capital markets, and in flows of technology, know-how and services. As a result, enterprises can now combine resources from a dozen or more countries in delivering complex products and services to your door, financed by savings from around the world.

The Chairman of the U.S. Presidential Task Force on Market Mechanisms said in his report following the October 11 stock market crash: "The communications networks of four key data providers alone cover over 100,000 equities, connect over 110 exchanges and include 300,000 terminals in over 110 countries". Just think about that.

All of us as customers have come to rely on foreign goods for the good life we lead, from Japanese VCRs to microchips to tropical fruit in mid-winter. The advantages of global interdependence are so obvious that we are inclined to take them for granted.

But the stresses and strains of interdependence have also grown with the passage of time. These problems preoccupy governments in every country, and Canada more than most.

These stresses appear, for instance, in the trade and payment imbalances among the world's major trading economies. These imbalances have led to the large exchange rate movements of recent years, have limited our growth and contributed to the debt crisis of the developing countries. These imbalances also stoke the fires of protectionism, not just "trade wars" but dozens of small national restrictive actions that erode accepted trade disciplines, and distort the terms of trade. Most of all they undermine the trust and transparency needed to ensure equity and efficiency in the world economy.

Successive GATT rounds have resulted in deep cuts of tariffs among the main trading countries, but a large variety of other barriers, some more apparent than others, remain in place. Equally dangerous are the new and innovative barriers to international trade that are emerging, threatening the gains we have made through these international trade negotiations. Slower and unevenly distributed growth in exports in this decade has also helped stimulate protectionism, especially in those countries with persistent trade deficits.

Moving forward in these adverse conditions is a major challenge to leadership in the Western world. It demands a cold-eyed examination of the fundamentals of our system, and imagination and perseverance in devising solutions.

What are the real factors that can increase world trade?

First national economies have to be strong enough to change industries or practices that are out-of-date, to teach modern skills, and to encourage new industries that can compete in the modern world. That is what the economists call "structural change", and new international competition makes structural change inescapable.

A second factor has been recognized since Adam Smith -- access to larger market permits specialization and economies of scale. Going into the mid-1980s Canada is the only major industrialized country that lacks assured access to a market of over 100 million people. The chances of developing global marketing skills from a small protected domestic market are not very promising, and neither are the prospects for controlling costs and improving quality.

A third important ingredient is modern management, this demands the integration of people, capital, knowledge, resources and markets on a global basis.

Canada's case is special. We are next door to a powerful economy. We have abundant resources, immense size, a scattered population and striking regional differences in production and consumption.

We are unique, but we are not exempt from the new economic pressures of the modern world. We have to compete, and the economic priority of the Government has been to make Canada competitive.

We are expanding trade bilaterally with the United States, and multilaterally by leadership in the latest Round of Multilateral Trade Negotiations, launched just over 18 months ago in Uruguay and designed to improve and strengthen the international rules of trade.

At the same time the Government has held the line against protectionism in Canada. We have cut back inflation and cut the deficit. We have reformed taxes and financial institutions, reduced the regulatory burden on the private sector, and turned from screening foreign investment to encourage it. We have started to overhaul policies affecting research and development and established new agencies for regional development. Those are actions at home to make Canada competitive.

Internationally, we pursue the same goals.

Prime Minister Mulroney is an active leader in the Economic Summit which he will chair in Toronto in June. We have achieved Canada's membership in the Group of Seven (G-7) Finance Ministers. The Prime Minister has put agricultural reform at the center of international economic discussions and we are one of the most active members of the Cairns Group of Fair Traders in Agriculture.

And we are trying to play a constructive role in resolving the debt problems of major debtors, notably in Latin America, and of the least developed countries.

The Economic Summit is the leading international forum where the leaders of major countries can work together. The summit's primary benefit is when it can co-ordinate the domestic economic policies of the major western economies. The Summit can also inspire action in other international bodies and broaden public awareness of major economic issues.

We all know that the world economy affects Alberta through energy markets, through agriculture markets and through opportunities for industrial diversification. In all these respects the signing of the Free Trade Agreement on January 2nd by President Reagan and Prime Minister Mulroney marked a big step forward. More secure access to the U.S. market will generate more jobs and revenues in the energy sector, draw in more investment, (including investment in pipeline and other megaprojects, if and when these are needed), and reduce the costs and risks borne by Canadian energy consumers. There are important new export possibilities for canola oil, soybean oil, and high quality wheat and oats. Alberta, which is very attractive as a human and corporate environment for many enterprises in the Western U.S., stands to gain a good deal from the Free Trade Agreement.

But in addition to those domestic advantages, the creation of a free trade area between Canada and the U.S.A. comes at a very critical time for world trade.

Had it not been possible for two countries with so much in common to reach a comprehensive agreement, then the prospects for the wider multi-national negotiations would have been very poor indeed. There are already enough road blocks in the way of the Uruguay Round. Many countries have policies that shelter particular sectors from foreign competition, impose unnecessary restrictions on trade partners, or apply trade measures selectively. Some countries in a very strong trade position have not yet assumed the level of trade obligations that their strength merits.

A priority for Canada in the multilateral negotiations will be to get more access to our main non-U.S. markets. The emphasis, naturally, will be on Japan and Europe both as partners in reforming the GATT and as markets where we seek a lowering of tariffs and non-tariff barriers on products that count.

The countries involved in the Uruguay Round Negotiations will be gathering in Montreal early in December for a Mid-Term Review Conference to take stock of progress in the negotiations and to plot the way ahead. There are special areas where we hope for progress: in strengthening the functioning of the GATT; in Agriculture; in so-called 'safeguards'; and in the new trade policy areas of services, investment and intellectual property. Let me discuss them in order.

Canadians have become much more aware of the GATT dispute settlement procedures in recent months, following the reports of GATT panels on the practices of provincial liquor boards in Canada, on West Coast salmon and herring, and on beef. They demonstrate that trade questions have direct domestic implications. When we are called upon, as we have been, to adjust sensitive domestic policies, we want to be sure that the rules are being applied in the same way to our major trading partners. That means having better rules and, sometimes, more sensible rules.

But it also means having an international organization -- The GATT -- that is strong enough to apply those rules reliably, consistently and sensibly.

I don't need to remind Albertans about the importance of agriculture. Our farmers are victims of a subsidy war between the European Community and the United States. We can't afford to subsidize at those levels. And the world can't afford to have agricultural production so distorted by subsidy. No one country can stop it alone, so we must together. And the leadership must come from the wealthy countries that subsidize the most.

There is an urgent need to devise practical rules for agricultural trade that can secure early and wide agreement -- agreement at the Montreal mid-term meeting. It is intolerable that efficient agricultural producers in Western Canada are being made the victims of subsidy policies that serve mainly to destabilize international commodity markets. The other reason this is urgent is that trading practices in agriculture set a bad example in other areas of trade.

The MTN negotiations are addressing for the first time, the impediments to trade in services, and issues involved in the trade-related aspects of intellectual property and investment. These are areas where an absence of international rules has increasingly hampered trade and investment.

As economies grow more diversified, it becomes harder to separate trade in goods from trade in services - how are we to describe, for instance, the knowledge embodied in your computer's floppy disk? It is a key question for us now when services account for almost 60 percent of Canada's Gross Domestic Product.

For large companies, services are in many ways interchangeable with goods. Countries interested in creating jobs, developing skills, and exploiting integrated approaches need rules for both goods and services. So does the international community.

Our purpose in all trade negotiations is to improve foreign market access for Canadian businesses.

The question then becomes the following: will Canadians, and Albertans, be able to take advantage of new trade opportunities?

As to the US Agreement there is a remarkable unity of view - virtually all serious economic studies conclude that the Free Trade Agreement will generate significant overall benefits for Canada, spread across the country's regions. The Economic Council of Canada has just concluded that Alberta would enjoy a two percent gain in employment as a result of the impact of the Agreement.

There can be similar advantages if we succeed in the multilateral negotiations.

But trade agreements only provide the contact and the opportunity. Businesses make sales, not governments, and the real challenge is to Canadian expertise and Canadian entrepreneurs to take advantage of the widening world of trade. We are doing what we can to create a climate at home and an opportunity ahead to let Canadian business show its leadership. A lot of you are doing that already -- certainly in this province. That will become even more necessary in the new trading world we are entering.