

# *Statement*

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AS DELIVERED

**NOTES FOR AN ADDRESS BY  
THE HONOURABLE ROY MACLAREN,  
MINISTER FOR INTERNATIONAL TRADE,  
TO THE 41ST GENERAL ASSEMBLY OF  
THE ATLANTIC TREATY ASSOCIATION**

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For the past year or so, there has been a growing debate in both Europe and North America about the future of transatlantic economic relations. On one level, this debate is about the search for new linkages to bind our two continents together now that the Soviet threat has disappeared and trade friction is on the rise.

If the nomenclature differs – some advocate economic "building blocks," others a "free trade agreement," still others an "economic space" – the core idea remains the same: to build new economic bridges across the Atlantic at a time when the old bridges seem in need of refurbishment, or worse, beyond repair.

But this search for a new "bridge" is motivated by more than mere nostalgia. Behind calls for greater transatlantic co-operation and integration is a recognition that, for all the inherent complexities of our relationship, Europe and North America have fundamental economic interests in common – a desire to strengthen the transatlantic economy, to push the frontiers of trade liberalization, and to maintain the stability of the global economic order. The salient question is not whether a more integrated transatlantic economy is a worthy idea; the question, rather, is whether Europe and North America can marshal the political will at this time to move forward.

Current transatlantic trade and investment flows already justify a more structured economic framework – some \$250 billion in two-way trade, \$460 billion in investment, reflecting a combined transatlantic output of over \$2 trillion.

Nor do these statistics capture the essential quality of our economic relations – the extent to which North America and Europe are at the epicentre of a growing web of transborder investment, technology and ideas, the new arteries of the global economy. For many industries, existing continental arrangements, whether pan-European or pan-American, are no longer broad enough to capture their interests. Transatlantic free trade is first and foremost a response to bottom-up pressure for deeper integration.

In the same way that Europe 1992 and the NAFTA [North American Free Trade Agreement] provided a critical jump-start to our continental economies, an even more ambitious vision of an integrated transatlantic market would provide at least as much impetus to a North Atlantic renaissance. The argument that the difficulties we face are simply too intractable should be turned on its head. What are the economic and social costs of not deepening our relations? What are we losing in potential production and additional jobs? Which market inefficiencies and rigidities are we needlessly leaving in place? Have we really taken transatlantic relations as far as they can go?

A second goal of transatlantic free trade is to push the frontiers of liberalization and rule making. Once trade policy was about regulating commercial relations between national economies, largely through the negotiation of tariffs; now it is about establishing

the ground rules of a transnational economy in areas such as standards, investment, competition policy, and so forth. Where once we agreed on what governments should not do, now must take the more difficult step of deciding what governments should do together.

Europe and North America are well placed to move ahead in these areas. We share in principle, if not always in practice, a commitment to open markets and to the rule of law. Our political institutions, legal systems, and cultural norms draw upon the same historical and intellectual roots.

And in the European Union and to a degree in the NAFTA, we have created unique structures for regional economic co-operation and integration - structures that can, with imagination, provide logical building blocks for a trans-regional initiative. Ours is a relationship that could be deepened more easily and more quickly than that between any other regions of the world.

There is a third rationale for deeper transatlantic integration: the need for global economic stability. The success of the GATT [General Agreement on Tariffs and Trade] system over the last 50 years is a testament to the postwar strength and resolve of the United States. Yet the balance of global power and the structure of the world economy are very different today. Power is more diffuse; the United States is but one of several major actors on the global stage, none of which is pre-eminent. What is more, economic structures differ widely, increasing the scope for "system friction" and placing greater strains on the multilateral order. We have reached the end of *Pax Americana* in multilateral trade; yet the need for strong leadership and a secure, rules-based system has never been greater. Growing trade friction in recent years is not a sign that we have taken liberalization and integration too far, but rather that we have not gone far enough.

Europe and North America can provide leadership to the world trading system only if we do so in concert. Even a modest transatlantic undertaking would not only help to improve EU-North American relations but would also make it easier to manage the World Trade Organization system as a whole. A more ambitious agreement could serve to advance the new trade policy agenda and lay the groundwork for the first trade negotiation round of the new World Trade Organization. As long as the goal is not to replace the multilateral system - still less to set up a defensive bloc - but to move beyond the commitments that we accepted in the World Trade Organization, then a new economic partnership of Europe and North America could provide the critical mass needed to re-energize the totality of the world trading system.

We have an opportunity here to correct history. In the aftermath of the Second World War, Western leaders got the security structure right, but faltered in their parallel efforts to build

transatlantic economic institutions – as envisaged, for example, by Churchill and Roosevelt in their Atlantic Declaration or by Pearson in Article 2 of the North Atlantic Treaty or later in forums such as the OEEC [Organization for European Economic Co-operation] and later in the OECD [Organization for Economic Co-operation and Development].

Instead, we have presided over the creation of separate continental structures – first the European Union, and now the NAFTA – which, although highly successful at the regional level, have tended to operate as transatlantic rivals. Absent a common economic framework paralleling NATO in the security realm, bilateral issues are left to be managed through a byzantine maze of channels – periodic GATT Rounds, G-7 Summits, ad hoc ministerial encounters – whatever works.

More worrisome has been the tendency of our regional blocs to focus inward. Europe and North America seem preoccupied with their own institution building to the point where other interests risk being subordinated to architectural imperatives.

Even when we look outward, it is often to extend our regional spheres of influence: in the case of Europe, through contiguous free trade areas, association agreements and Lomé preferences; in the case of North America, through NAFTA expansion, the proposed Free Trade Agreement of the Americas and in the fledgling Asia Pacific Economic Co-operation forum.

All of this has contributed to a growing fortress mentality and a pervasive mood of isolationism among some; but this is an attitude that overlooks our mutual dependency and fosters transatlantic friction. Without arrangements to match existing levels of economic integration, the risk is that our differences – rather than our common interests – will continue to define the relationship.

What should be the broad principles guiding a transatlantic initiative? First, it should encompass the totality of the transatlantic community.

An agenda which focusses on bilateral relations between the European Union and the United States alone rather than on the wider transatlantic context ignores the integration of the North American economy. It is an approach that is not only anomalous, but ultimately self-defeating.

Second, we should concentrate on areas not yet covered by the new World Trade Organization. While most tariffs are already low – industrial tariffs average between 2 and 3 per cent – and could be eliminated by agreed dates, our main focus should be on non-tariff barriers and deeper trade-related policies. We have already agreed to seek a high-quality investment agreement under the

umbrella of the OECD. We should work in tandem to push this agenda forward and broaden it globally.

We should also work towards the mutual recognition of industrial and agricultural standards, especially in sectors that will define the global commerce of the future such as information technology and telecommunications.

Given the similarities of our legal systems and industrial structures, the transatlantic context also lends itself to ambitious work on harmonized competition policy. In each of these and other "building blocks," we can go well beyond the scope of the disciplines of the new World Trade Organization and provide a basis for future multilateral liberalization and rule making.

The third principle is that any transatlantic arrangement should remain fully compatible with the new World Trade Organization and fundamentally open. The goal of a transatlantic link is not to construct an exclusive or restrictive bloc; on the contrary, the goal is to transcend our respective regions, to widen the circle and to deepen the rules.

But we are not at the building stage yet.

The year 1996 will bring a U.S. presidential election and a concomitant debate about future directions. In the same year, the European Union will hold its intergovernmental conference, a conference mandated to chart the next phases of European integration. Implicit in each process will be the central question of where North America and Europe fit in the wider Atlantic Community.

This introspection is important. If the wider Atlantic Community is to move forward, it will be driven by a broader vision, not by negotiating details. It will be rooted in a recognition that we are a set of countries that must ultimately stand together, must work together, must continuously reinforce our shared global interests.

Given the degree to which technological change is altering the foundations of our postwar relationship and creating the potential for friction, we need to rediscover the ties that bind.

It is not that deeper transatlantic co-operation is an alternative to broader global co-operation; it most emphatically is not. It is rather that a strong North Atlantic architecture is central to our ability to manage and advance a larger global order.

Thank you.