



STATEMENT

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AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
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TO THE
PARLIAMENTARY DEBATE
ON CANADA'S FOREIGN POLICY REVIEW

OTTAWA, Ontario
March 15, 1994

Mr. Speaker, I am pleased to participate in today's discussion of Canada's foreign policy initiated by my colleague, the Minister of Foreign Affairs. I want to share with honourable members today some thoughts on the role of trade in Canadian foreign policy, sketch possible policy directions, and encourage discussion on how we can best proceed.

I am also pleased to co-sponsor the Foreign Policy Forum, to be held a week from now, to seek the views of a broad range of Canadians on public policy. I also look forward to the subsequent work that will be undertaken by the Parliamentary Committee.

The importance of trade to Canadian foreign policy has long been a central principle of our vision of international relations. When former Prime Minister Lester Pearson delivered his 1957 Nobel Peace Prize address, he entitled it "The Four Faces of Peace." His first face of peace -- and the one of which he spoke most eloquently -- was international trade. "The higher man sets his economic goals in this age of mass democracy," Pearson argued, "the more essential it is to political stability and peace that we trade as freely as possible." By promoting freer trade among nations, we would help to build international partnerships of mutual advantage and support. And by constructing an international system of binding rights and obligations we would help to ensure that the rule of law prevails over the rule of unrestrained power.

Almost forty years later this message has an even greater resonance. The globalization of production, the growth of knowledge-based industries, and the shift in wealth and power to the Asia-Pacific region all point to the rise of a new international economic order.

Increasingly, it is more accurate to speak not of trade policy as such, but of international economic policy. Jurisdictions and policy areas that have long been considered to be quintessentially domestic are now increasingly subject to international negotiation and rule-making. Both the Government and the private sector must now deal not only with tariffs and export subsidy practices, but also with investment policy, intellectual property, competition policy and R&D [research and development]. Even social programs, previously the sole preserve of national governments, are coming under the trade negotiator's microscope or, at the very least, are being reshaped in response to the inexorable pressures of the international marketplace.

It is also commonly accepted that attempts on the part of national governments to shield themselves from these changes are not only illusory but fraught with danger.

Admittedly, this has not stopped certain governments from attempting to do just that. In the United States, a current political preoccupation in some quarters is Japan, which enjoys a

sizable trade surplus, despite -- or perhaps because of -- its current recession. Behind such cryptic phrases as "freer trade" and "levelling the playing field" often lurk notions of replacing open, rules-based competition with managed trade, restrictive quotas, and regulated trade balances.

Likewise, in Europe there is some support for the idea of a closed, self-reliant bloc. Regional liberalization and policy harmonization are certainly laudable goals when aimed at deepening Europe's commitment to freer trade. However, these objectives become rather less admirable when one additional goal is to shut out global competition, especially from low-cost producers in Asia and Latin America.

Fortunately or unfortunately, there is no turning back the clock on globalization. Like the industrial revolution of the previous century, the kind of changes produced by rapid technological change and by the liberalized trading system have permanently altered the economic landscape. As we saw with the former Communist bloc, efforts to shut out these forces eventually collapsed, with the collapse of the Berlin Wall itself, largely because these countries were being left behind in an accelerating, footloose technological race. Countries must either move rapidly to adapt to change, or watch their productive capacities deteriorate and their living standards erode.

The central lesson of globalization for Canada is that we can only achieve economic growth through an open, outward-looking trade policy. In the current domestic economic climate -- characterized by accumulating private- and public-sector debts, high rates of taxation and anemic consumption -- there is no wellspring of demand waiting to be unleashed by the right macroeconomic "fix." Any meaningful domestic growth strategy must, almost by definition, be export-led.

Only by targeting new and additional markets, by assisting our firms to be competitive in those markets, and by creating an open, outward-oriented economic base for both domestic and foreign businesses, will this government have any realistic hope of securing long-term growth and job creation.

At the same time, we must focus not just on *how much* Canada exports but on *what* Canada exports. The type of markets we pursue, the delivery systems we provide and, perhaps most important, the productive climate we foster at home will in many ways shape the kind of Canadian economy that evolves in the years ahead.

We must also recognize that in a world of rapid and complex change, where international institutions are struggling to keep up, where other countries are employing a wide range of instruments to gain advantage in the global marketplace, and where Canada is but a "middle power," we need to be more focussed, more single-minded in the pursuit of our policy objectives.

It has been suggested that "political diplomacy" is giving way to "economic diplomacy." If Canada is to remain a significant player in an international arena characterized primarily by the interplay of economic forces, we must define a more strategic, less universal niche in the affairs of the international community. More than ever, trade policy is about positioning Canada in the global economy so that we attract the high-value-added, high-technology industries and jobs of the future.

The key to developing an effective trade strategy for Canada is to begin to identify more precisely our national priorities, both regionally and sectorally, based on a much clearer assessment of where our economic interests lie. In practical terms, this means working directly with our export sectors to determine key market priorities. And it means using all of the policy tools at our disposal -- multilateral, regional and bilateral -- to achieve clearly set out objectives. In an ideal world, trade liberalization would occur multilaterally on the broadest possible range of fronts. Unfortunately, we are dealing with an imperfect, changing world. We must be prepared to wield a whole array of trade policy instruments to reach our market access goals.

Mr. Speaker, I want to set forth what should be our three objectives in the near future. First, we must begin to define our regional priorities. Europe is still a central market for many Canadian exports and an important source of investment capital; we shall continue to pay close attention to the transatlantic market. For its part, the U.S. market -- and the successful management of our trade relations with our neighbour -- is fundamental to Canada's economic prosperity. But we must also recognize that the highest growth rates and most exciting new market opportunities are in Latin America, and most especially westward across the Pacific to Asia. Moreover, it is in many of these emerging markets that Canadian exports will enjoy a strong comparative advantage and major growth opportunities in the years ahead -- stronger than we enjoy in the markets of Europe, or even in the United States.

How can we secure further access to traditional markets while actively expanding our economic links with high-growth markets overseas? The central focus remains the multilateral trade framework, which provides the foundation, so to speak, upon which our trade policy is constructed. For this reason, we are committed to promoting an early start to the work of the new World Trade Organization (WTO).

Called into being by the recent Uruguay Round of the GATT [General Agreement on Tariffs and Trade], the WTO is largely a Canadian proposal that completes the post-war trade and payments system in the best traditions of Canadian foreign policy. We shall actively encourage the international community to elaborate a forward-looking work program that reflects Canadian interests as well as the new trade issues -- especially trade and the environment and the possibility of replacing anti-dumping regimes

with competition policy -- that have arisen through greater global integration. We shall also actively encourage means by which the new WTO, the World Bank and the IMF [International Monetary Fund] can co-ordinate their efforts to reach mutually reinforcing objectives. And we shall actively encourage the prompt accession of China, Taiwan and Russia to the new WTO, with all its rights and obligations.

An active, dynamic World Trade Organization will assist us in managing our economic relations with the United States and Europe, while preparing the groundwork for negotiating better access for Canadian exports to all major markets.

The fact remains that Canada's most critical economic relationship is with the United States -- which is the destination of over 70 percent of our exports -- and indeed with North America as a whole. To manage this relationship, Canada has a more comprehensive rules-based framework in the recently proclaimed North American Free Trade Agreement (NAFTA). This government's commitment to strengthening this framework is underscored by our successful efforts to establish NAFTA working groups that will strive to reform practices related to the inappropriate use of anti-dumping and countervailing duties.

Yet the NAFTA can provide a complementary tool for expanding opportunities for Canadian exports only if it remains fundamentally open to the world economy. What we do not want to see is a NAFTA that turns inward on itself, devolving into a form of continentalist, protectionist bloc. For this reason, we must focus our attention on the accession issue and underscore its importance as a means of strengthening trade and investment relations, not only within our hemisphere but across the Pacific for those Asian countries ready for a comprehensive economic partnership.

We want to see the NAFTA used dynamically to attract high-quality, committed partners -- partners that are prepared to open their markets and to play by the NAFTA rules; partners that take a constructive approach to international rule-making and that can provide further balance in a trading arrangement where the United States remains the largest producer, trader and investor.

Chile clearly is a case in point. Chile would be an excellent addition. Canada would welcome Chilean accession to the NAFTA. We are engaged with Mexico and the United States in identifying the criteria for extending the NAFTA to certain other Western Hemisphere countries.

The new WTO and the NAFTA are not the only tools available to Canada to expand our trade relations beyond North America. Another approach could be to explore the prospects for negotiating a range of bilateral trade arrangements with selected high-growth economies overseas. Such a policy would in no way compromise our existing and vital relationship with the United States -- the goal is not to increase Canada's sovereignty

through a rekindled "third option." Such sovereignty, even if it were economically desirable, is to some extent illusory in an increasingly interdependent world. On the contrary, Canada's role in the FTA [Free Trade Agreement] and now the NAFTA should be translated into a competitive advantage -- by encouraging greater economies of scale, by facilitating mutually beneficial sourcing and networks, and by helping Canadians to build globally competitive industries. It is essential that we view our North American base not as a buffer against international competition, but as a springboard into a rapidly expanding global economy.

Trade agreements open doors. Our trade development activities help companies walk through them. In fact, in the emerging economies of the Asia-Pacific region or Latin America, the goal of establishing an institutional foothold in these markets and constructing strong business linkages or alliances is at least as important as formal trade agreements.

Thus, as the second part of our trade strategy, we must also devise ways to target government programs and resources more effectively to assist Canadian companies to reach into key markets.

Of particular concern to this government is the role of small and medium-sized enterprises, which have the potential to be the growth engines of the future, but often lack the critical mass, the financial resources, or the technical expertise to penetrate foreign markets. Building stronger linkages with the private sector, improving the delivery of market information, better co-ordinating government programs, and further leveraging domestic financial resources -- all of these issues are now on the table.

Upon entering office, we have found instances of duplication, overlap and confused mandates that can undermine efforts of our exporters to compete. We intend to correct such shortcomings and build a single, integrated program that addresses issues such as the timeliness and dissemination of market intelligence, the need to reform the mechanisms now in place that provide export financing, and the promotion of mutually beneficial science and technology co-operation between Canadian and foreign companies. We have to find ways of doing things better, both because good fiscal accountability demands it, and because budgetary realities oblige all of us to act responsibly as well as creatively.

Moreover, we intend to develop this program through a much closer and more active partnership with the provincial governments and the private sector. This process, and the foreign policy consultations now launched, will assist us in identifying the appropriate tools and in strengthening program delivery. During the course of 1994, I shall announce the concrete results emerging from the consultations in which we are now engaged.

By adopting a more market-driven approach to trade development -- one that sees government as an export facilitator rather than an

export leader -- we can use market signals to help set our real trade priorities.

Lastly, we must foster a domestic economic environment conducive to export-led growth. It has become commonplace to observe that the boundary between national issues and international issues is becoming blurred. In the same way, the distinction between domestic policy instruments and trade policy instruments is in many instances meaningless. Regulatory and tax policies that unnecessarily inhibit export sectors must be revisited; regimes and restrictions that block constructive international investment must also be re-examined. As the world economy becomes increasingly open, Canada will inevitably be exposed to greater and more fluid investment flows. We need to ensure that Canada can attract the kind of high-quality foreign investment that will allow us to take advantage of technology transfers, to source from global markets, and to remain at the hub of international linkages and alliances.

The basic objective of trade policy is to further Canada's national economic interests at a time when these interests are perhaps more constant than the increasingly complex world with which we grapple. We can do a better job of ensuring that these interests are translated into bold policy objectives and clear priorities.

We can ensure that all of Canada's foreign policy tools are coordinated to further our interests abroad, while respecting the fact that these interests will always be varied. And we can vigorously defend the market access achieved through negotiations and realized in practice through the efforts of our export community, not hesitating to use the dispute-settlement provisions found in our international trade agreements to defend the interests of all Canadians.

Mr. Speaker, today's debate marks, early in our mandate, a period of reflection and discussion about the direction of Canada's foreign policy in a radically new and more competitive world in which trade and economic issues will be at centre stage as never before. I am convinced that, by working through the issues together, we and all Canadians will emerge with a clearer sense of purpose and direction abroad that can only benefit the prosperity of all regions of Canada.

Thank you.