

# *Statement*

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**NOTES FOR AN ADDRESS BY  
THE HONOURABLE ROY MacLAREN,  
MINISTER FOR INTERNATIONAL TRADE,  
TO THE NEW ENGLAND-CANADA BUSINESS COUNCIL**

**BOSTON, Massachusetts  
September 8, 1995**



Government  
of Canada

Gouvernement  
du Canada

**Canada**

Normally, a Canadian trade minister would begin by describing the historic relationship between Canada and the United States – the world's longest undefended border, the largest bilateral trade relationship, etc., etc.: the usual warmed-over clichés.

I neither need nor want to do that, for three reasons: first, you know that our bilateral relationship is much more complex than can be embraced in a few clichés; second, I want you to remain awake; and third, there are much more important things to talk about.

I shall spend a moment, however, to mention the warm, ongoing relationship that Boston has with Canada – especially with our Atlantic region and with Quebec.

Boston has for so long had close ties with Canada that in Atlantic Canada, New England is still known as the "Boston States." It is a region that is vital to the health of the Atlantic Canadian economy. Everything from gypsum to microchips is traded between us, and our banks and insurance companies feel very much at home.

New England represents an important market for Quebec. Quebec's exports to New England amounted to almost US\$4.4 billion in 1994, covering a spectrum from telecommunications equipment to electricity.

Quebec is also an important export market for New England, representing US\$1.3 billion in 1994 in everything from semi-conductors to aircraft engines.

Nationally, New England is a growing market: in 1994, Canada increased its exports to New England by 13 per cent to US\$6.6 billion – three times the value of our total exports to "Old England" – and further increased our investment. Meanwhile, you increased your exports to Canada by a similar rate to US\$4.4 billion, or more than US\$1 billion above your exports to Spain.

Canadians and New Englanders share more than a trading relationship. Much of Atlantic Canada is populated with descendants of those Americans who emigrated northward at the time of your revolution.

A century later, hundreds of thousands of French Canadians came south to work in your factories and mills. The largest exodus of its kind in Canadian history, it endowed New England with its Franco-American culture. And the close proximity of Franco-Americans to Quebec has resulted in the recent flourishing of French-speaking culture in northern New England states. It has also stimulated our mutual interest for doing business with one another, as demonstrated by the numerous trade and investment missions in both directions.

Our proximity to one another has often been to our mutual benefit. In 1778, the arrival of Benjamin Franklin in Montreal led to the establishment of Canada's earliest English-language newspaper, the *Montreal Gazette*. In the other direction, a young professor, James Naismith, came to Massachusetts from Montreal at the turn of the century and invented the game of basketball.

Within this coming and going between us, it is not surprising that a philosophy of openness to trade has developed. Just as Boston looks out to sea, your perspective has considerably been an international one. Despite the familiar siren song of isolationism that has been sung by many in the past, internationalism has always had a secure home in Boston and New England.

However, there is a notion gaining credibility in some quarters that 1994 was the year for international trade and that it is now time to move on to other issues. Yes, 1994 was a year for great accomplishments in trade liberalization: the conclusion of the Uruguay Round, the creation of the World Trade Organization [WTO] and the North American Free Trade Agreement [NAFTA], the initiatives to create free trade throughout the Western Hemisphere and across the Pacific to Asia.

In contrast, some seem to see this year as the time for concentration upon domestic priorities. In the United States these include the "Contract With America," balancing the budget, positioning domestic economic policy for next year's presidential election.

By some, trade seems to be thought of as "last year's issue." Trade, however, can never be "last year's issue" or "yesterday's issue." There are few more important "domestic" issues than the creation of jobs - and trade creates jobs.

International trade can never be pushed off the national agenda. Your competitors and ours never rest; neither should you or we. Government and business must continue to work together to respect and strengthen the trade and investment rules that form the basis of our continued prosperity.

In the unlikely event that anyone here today is sceptical about the benefits of global trade and investment, look back 50 years to the end of the Second World War. From a system that had bred chaos and strife, poverty and despair, we have emerged with an orderly series of interlocking and overlapping agreements that govern world trade. We have expanded our economies countless times.

The GATT [General Agreement on Tariffs and Trade] was the basis for the modern trading system. Back in 1947, the United States and Canada joined other like-minded countries in designing the

GATT, with a mandate to create a fair, open, rules-based system. The benefits of the GATT are impressive: since its creation, the gross domestic product of the United States has increased from US\$2 billion to US\$6 trillion in constant dollars. Meanwhile, the world economy has grown more than 20 times from what it was less than 50 years ago.

Growth in international trade has increased world economic growth by expanding the markets of domestic producers and providing consumers with competitively priced goods and services.

At the same time, growth in United States value of trade was enormous. Today, trade is a central driving force of the U.S. economy. According to U.S. government estimates, the value of trade equalled 13 per cent of the U.S. GDP in 1970. That figure could exceed 30 per cent in 1995.

As world trade has evolved, so have the trading rules. The new World Trade Organization expands greatly the scope of the GATT to provide disciplines in new areas such as trade in services and in intellectual property. As well, substantial gains were made in traditional areas.

For example, we have cut tariffs on average by one third. We have agreed on a phase-out of the restrictions governing trade in textiles. Of particular importance to both Canada and the United States is that, for the first time, there are meaningful rules to deal with agriculture. We have also strengthened the multilateral trading system, through the creation of an effective and credible dispute settlement system in the World Trade Organization.

On the bilateral side, a few years ago the United States and Canada decided that there was a need to deepen our relationship. This led to the negotiation of our free trade agreement.

We then brought Mexico into the NAFTA, where the rules governing our bilateral relationship were further strengthened. We have established more than 20 other NAFTA working groups and committees to resolve issues of mutual concern, everything from the mutual recognition of standards to government procurement. The three countries are now engaged in negotiations with Chile on its early accession to NAFTA.

Yet despite the remarkable stride of the last decade, recent events underscore that there is an important trade agenda that remains unresolved. The recent U.S./Japan auto dispute may have been good domestic politics, but it risked undermining the still fragile rules-based trading system we have all worked so hard to create.

The U.S. decision to pull back at the last minute from the financial services negotiations in the new World Trade Organization may have won support from those who believe that other countries had not opened their market sufficiently; but it raises even larger questions about the continued commitment of the United States to the principle of multilateralism.

Finally, while the U.S. has taken the lead in calling for a free trade agreement of the Americas, it remains uncertain whether Congress will grant the Administration new fast-track authority to make this vision a reality.

We all agree that our first priority is to build a strong and effective multilateral trading system, but we are not there yet. What is required is much more than rhetoric about the virtues of freer trade. We need the commitment of governments to renounce measures that are inconsistent with trade rules. We need a commitment to rely on dispute settlement procedures – rather than retaliation – when negotiated solutions prove impossible. Most important, we need to marshal the political will to move the agenda forward, to tackle the new issues, to deepen and strengthen the overall system.

Serious market barriers and discriminatory restrictions continue to exist – and this is not limited to certain countries. Growing trade friction is not a sign that we have taken liberalization and integration too far, but rather that we have not gone far enough. The status quo is unacceptable – it is also unsustainable. I ask myself why these issues were not addressed in the Uruguay Round. The answer may be that the Uruguay Round addressed 1982 issues and that we now need to tackle 1995 issues through negotiation.

The alternative is a stark one: will major disputes between significant trading partners be conducted as "the moral equivalent of war"? Or will we continue to build a multilateral system which takes as its underlying premise that we are fundamentally interdependent, that freer trade ultimately benefits us all?

The new World Trade Organization is still a fragile organization; like a child at infancy, it is just learning to crawl. And yet, evidence that it will soon be walking and running can be found in the countries that are clamouring to join.

The next great chapter in the history of the world trading system may well be written by those countries now seeking to join. Countries not now part of the world trading system, such as Russia and China, recognize the disadvantages of being outside the club.

Broadening participation means more than just joining the club. In the Uruguay Round negotiations, developing countries were drawn more into the global system by assuming greater obligations. For all members of the WTO, it is an all-or-nothing deal. When you sign your membership card, you can't expect to get any special privileges. The rules apply to everyone equally. There are no "free riders."

It is clearly to the advantage of business to have your trading partners inside, rather than outside, the system. Look at the problems that the United States had with China over intellectual property rights. By accepting the primacy of the WTO rules, all member countries will have to follow appropriate trading practices.

As business people, you can understand the need to avoid "standing pat." The risk of not progressing toward greater trade liberalization would be economic stagnancy - a risk neither you nor we can afford.

Driven by the demands of business people around the world and perhaps inspired by the success of the European Union and NAFTA, new trade groupings are beginning to crop up everywhere. You and we are party to many of them.

Across the Pacific, we share a common interest in ensuring that the Asia-Pacific Economic Co-operation forum furthers our goals of trade liberalization. We both have strong economic interests in revitalizing our links with Europe, perhaps through negotiation of a TransAtlantic Free Trade Agreement. I have already mentioned our common commitment to free trade in the Americas.

Closer to home, Canada and the United States have had a long history of co-operation both at government and business levels. We share common goals and perspectives on many issues. Together, we have already made huge strides in pursuing trade and investment liberalization. We have accomplished much, but there is more to do.

We must change the way we resolve the problems between us. Old-style trade remedies like anti-dumping and countervailing duties do not make sense in a free trade area, as the New Zealanders and Australians have found in their free trade area. The use of anti-dumping regimes is outmoded in any free trade zone.

Most producers view North America as a single, integrated market, in which products can cross borders several times in various states of completion. Unfortunately, as a result of these anti-dumping laws, what is considered usual business practice in selling Boston-made products in Portland, Maine, is no longer the case when these goods are sold in Halifax, Nova Scotia. This

reduces the gains from NAFTA and results in the competitiveness of North American producers being harmed not only in the domestic market, but globally.

Having created a North American market, our governments need to allow businesses to reap its full benefits. If we continue to maintain outmoded practices, we are both forced into conflict, creating delays and inefficiencies that are mutually unprofitable and counterproductive.

Resolving these anomalies must remain the central priority. We have established trade remedy working groups with a mandate to outline possible solutions by the end of this year. We are engaged in more specific discussions with the United States over cross-border trade in grain, steel and lumber to see if tensions might also be defused on a sectoral level.

And more ambitiously, we are studying seriously how a more co-ordinated, continental competition regime might eventually supersede increasingly outdated national trade laws.

None of these solutions will be found overnight - indeed it is a moot point whether the unfinished business of trade agreements is ever really "finished." Such agreements by their very nature are living, dynamic entities which must continually keep pace with underlying economic change or risk obsolescence.

Nor is it clear that all the answers will be found at the regional level alone. As with so many other facets of international economic policy, we are coming to realize that many of the solutions to globalization must by definition be global in scope. All of which is to say that Canada remains committed to achieving concrete results regardless of the tools or the fora.

On a bilateral level, we can point to achievements such as the "Open Skies" regime for air travel between our countries and increased border co-operation. These successes give additional substance to the notion of an open trading relationship.

Although the pursuit of regional trade agreements might seem contradictory to an orderly expansion of the World Trade Organization, nothing could be farther from the truth.

Just as it is much more effective to deal on a "one-to-one" basis with a supplier who speaks your language or comes from your own town, it is simpler to work out a trade agreement along already established cultural or geographic lines than with 100 or more trading partners.

Such trade agreements can serve as signposts for the multilateral trading system, setting the sights for what can subsequently be achieved on a global basis. By the same token, the relationship

of regional agreements to multilateral negotiations has not been a one-way street: for example, the NAFTA negotiators had the benefit of the WTO texts on intellectual property when they drafted the NAFTA intellectual property provisions.

As long as they operate within the principles of the World Trade Organization, these regional trading groups will go a long way to establishing orderly trade relationships and creating exciting trade opportunities within the global economy. A recent WTO study rightly concluded that "regional and multilateral integration initiatives are complements rather than alternatives in the pursuit of open trade."

The evolution of the various trade negotiations that I have just now mentioned has direct consequences on you and your business. The outcome of these talks will define the rules of the game between you and your competitors - whether across the block, across the continent or around the globe. These negotiations are intended to ensure that you are not hampered by unreasonable barriers.

But business people cannot afford to be complacent. There are still threats that could undermine the accomplishments of trade liberalization. There are voices arguing against engagement in the NAFTA and the WTO.

These are many of the same voices we have heard before, fighting against these agreements. It is natural that in the rough-and-tumble of domestic politics, louder, more discordant voices may be heard above those of reason. At the end of the day, however, reason must prevail.

I am encouraged by the past determination of U.S. businesses to convince the Administration and Congress to take the next steps and to agree to these new rules. After all, industry derives benefits from a stable system that creates predictability and allows reasoned management of disputes.

There is still much that you can do now to weigh in on the side of a more effective, rules-based trading system. You can convey to key decision makers the importance of agreeing on mutually acceptable "fast track" legislation; of moving forward on outstanding WTO issues, such as the negotiation on basic telecommunications; of making progress in the NAFTA trade remedies working group; of saying no to those who would legislate increased protectionism, in whatever form.

But most of all, you who support the international trading system must prove its merits to those who believe that the national interests of the United States are best served through protectionism.



I began by noting the enthusiasm in Canada for Boston as an international city.

It is interesting to note that one of your most prominent citizens was the son of a high-profile isolationist, a leader in the "America First" movement that preceded the entry of the United States into the Second World War.

And yet, in the years following the war, it was this man, John F. Kennedy, who issued a challenge to the world to expand the rules of trade, and who lent his name to the "Kennedy Round" of the GATT.

It was no coincidence that a man from Boston led the United States to embracing internationalism in trade. Three decades later, we are counting on you, the Bostonians of another generation, to continue to press for engagement and acceptance of the values that more open trading regimes will bring. You were never spectators before; there is too much at stake to be anything but key players again, this time around.

There can be enormous rewards if we succeed: a vibrant North American economy, job growth, and expanded international trade. On the other hand, as you in business know, there is no reward for failure.

Thank you.