

Statement

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NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,
AT THE CANADA-EU COLLOQUIUM

TORONTO, Ontario
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Let me begin by congratulating Ambassador Beck for organizing this successful conference. Making trade policy is a little like politics — timing is everything. Ambassador Beck's timing for this conference is impeccable, coming as it does at such an important juncture in our bilateral relations and in our relations with the world as a whole.

Perhaps it is a romantic notion, but I continue to believe that Europe and North America belong to a broader Atlantic community — one rooted not simply in shared values, cultures and traditions, but in shared interests. I also believe that our two continents are in danger of drifting apart.

This trend cannot be said to be the result of a conscious policy choice on either side of the Atlantic, although the relationship certainly suffers at times from a sense of benign neglect. Our difficulties, more structural than political, are at a deeper level — the challenge of moving from a transatlantic relationship defined primarily by strategic imperatives to one defined increasingly by our shared economic interests.

There can be little doubt that the end of the Cold War has served to weaken the strategic ties that bound our two continents together for almost 50 years. Until the collapse of the Berlin Wall in 1989, it was largely the Soviet threat that kept the West together in a defensive alliance. With the disappearance of this threat, the pressure to overlook economic disputes and tensions has also diminished.

Diminished as well are the ideological foundations that underpinned our strategic alliance. It has been suggested that the Cold War was not primarily a war of economies, but a war of ideas. In politics, it was a struggle of liberal democracy against collectivist totalitarianism; in economics a struggle of open, competitive markets against stifling central planning and state ownership.

But we are all capitalists nowadays. Moreover, global events are driven more by technological innovations than by ideological convictions. Just as it is sometimes difficult to identify ideological differences in an international arena defined primarily by the interplay of economic forces, so too is it difficult to recognize the values and ideals that still bind us together.

In essence, then, North America's postwar strategic partnership with Europe has given way to growing economic rivalry to which we both seem unable to adjust.

The most obvious expression of this is the rising interest on each side of the Atlantic for regional arrangements. The European Union [EU] is in the process of transforming itself. Through the single European Act, the 1992 Single Market Program, and the Maastricht Treaty process, the Union has become more

integrated, more co-ordinated, and better positioned to play a full role on the world stage. It has also become preoccupied with its own internal architecture to the point where other interests risk being subordinated to the political goal of building a unified Europe. Only a short decade ago, "Europe 1992" was held up as a model of openness for the world. But these same policies of regional liberalization and harmonization will seem rather less admirable if one additional goal is to turn away from the global community.

North America too has begun to consolidate its own internal arrangements, partly in response to developments in Europe. For some, the recently signed North American Free Trade Agreement [NAFTA] is but the first step toward an exclusive, self-reliant hemispheric bloc — a way of securing America's economic hinterland in a world of rising competition and declining market share. Even for those who do not share this narrow vision, it remains true that North America's policy focus is shifting increasingly to the Asia-Pacific region, and to the fast-growth economies of the south China coast — and, if only implicitly, away from Europe.

This trend is in no one's interest. For Canada, the European Union remains our next most important bilateral economic partner after the United States. Last year Canada's merchandise trade with the countries of the European Union was valued at \$25 billion, our direct investment reached \$21 billion, while EU investment in Canada was worth \$32 billion — and so on. These statistics do not capture the "quality" of our economic relations — the extent to which North America and Europe are increasingly interlinked by a web of transborder production, investment and technology. As Canada attempts to diversify beyond the U.S. market, the issue of Europe/North America relations takes on an added strategic importance.

This transatlantic relationship is also of central importance to the world economy as a whole. It was, after all, our common postwar economic leadership that was instrumental in creating the liberal trade and payments system so critical to the expansion of the world economy. It was the foresight we together 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 the latest and furthest-reaching agreement in Marrakech.

In the same way, Europe and North America's continued global economic leadership will not be secured by retreating into regional blocs, by viewing the Atlantic as a barrier rather than a bridge between our two continents — a fact amply reflected in the deadlock that characterized the final years of the Uruguay Round negotiations.

The critical question is how do we revitalize the transatlantic community? No doubt there are a number of existing institutional tools such as NATO [the North Atlantic Treaty Organization] or the OECD [Organization for Economic Co-operation and Development] that could be employed more effectively to further our mutual interests; no doubt, these structures could be revitalized and reformed. But if we are indeed living in an era when political diplomacy is giving way to economic diplomacy, then any meaningful effort to strengthen relations between Europe and North America must be primarily economic in nature.

As strong as our trade and investment relations are, they have potential to be better. Even after the Uruguay Round is fully implemented both sides will continue to face tariff barriers in key sectors. And tariffs are not the sole — or even the central — impediment to the further integration of our economies. National treatment for investment, differing standards, restrictive procurement practices — these and other systemic differences must be the new focus of our liberalizing efforts. In a sense, our goal is not simply to secure market access, but to enhance the competitiveness, dynamism, and critical mass of the transatlantic economy.

This conference can be where we begin to canvass our options for our future together. We do not need to be constrained by what has gone before or what we have accomplished in other fora. While it is premature to outline the details of such a policy, let me set out three principles that might serve to guide us in redefining our relationship.

The first is that it is easier to head off problems before they are established than it is to solve them after they have become firmly entrenched. If we can establish common practices — or at least some form of early warning system — then perhaps we can limit the potential for trade friction.

Our recent negotiations on testing and certification for product standards attempts to achieve just that. If we can create a system whereby Canadian laboratories can test Canadian products to European standards — and vice versa — then exporters on both sides can enter markets with less risk and more certainty.

A second principle is that it is often easier to accomplish new goals than to solve old problems. The latter become bogged down with a negotiating history. There are several irritants in our trading relations that have not changed in years — the denial of Canadian grain rights in the Union, for instance, or our countervailing duties on EU beef. But while those problems may seem intractable we are beginning to negotiate new agreements and new co-operative frameworks that have the potential to enhance greatly our economic relationship. Our agreement on science and technology, when it is signed later this year, will open the door

for Canadian companies, universities, and researchers to enter into joint ventures with European partners participating in the European Commission's \$19-billion Fourth Framework Program for Research and Development. The potential is tremendous; we need more initiatives like this.

The third principle is that what we can accomplish together in the world is becoming more important than what we can accomplish on our own. We are partners with the European Union in the Quad [Trade Ministers of Canada, the EU, Japan and the United States], in the new World Trade Organization, and in other bodies. We have a shared interest — and a shared responsibility — to provide leadership on global issues.

It is true that in recent years Canada's agenda for Europe has not been articulated as clearly as our agenda for the Americas or Asia. Perhaps the problem is existential — the absence of a clearly defined structure or framework to provide a focal point for further trade and investment liberalization. Many of the building blocks are already in place. Canada has had a framework agreement for economic co-operation with the European Union since 1976 — an agreement that has stood the test of time but is perhaps in need of renewal. More recently, as I have noted, we have finalized our co-operative agreement in the field of science and technology, which will greatly increase the potential for transatlantic co-operation and development.

We are working toward agreements on customs co-operation and on mutual recognition of testing and certification of product standards. And we have completed negotiation of an agreement on competition policy that will lay the foundation for active co-operation among our anti-trust authorities.

Can we build upon these initiatives to create a more comprehensive economic and trade partnership? Is it time to give serious consideration to a deeper Canada-EU trade framework, in turn paving the way for a more ambitious EU-North America link in the future?

In an ideal world, trade liberalization would occur multilaterally on the broadest possible range of fronts. But we do not live in a perfect world; and we can hardly expect perfect solutions. If the architecture is kept open, then a deeper arrangement with Europe could serve to revitalize our economic relationship — and even to bridge potentially exclusionary blocs.

If the goal remains further and faster liberalization, then a new economic partnership with Europe could help set in motion an external, competitive dynamic to reduce trade barriers worldwide; to kick-start a new global round.

Canada's underlying goal is not to replace the existing multilateral system — still less to set up discriminatory blocs — but to move further and more quickly toward the goal of trade and investment liberalization; to forge an engine that can drive the more cumbersome, but centrally important multilateral negotiating process that we all must encourage in the new World Trade Organization.

The Atlantic community has demonstrated enormous potential. Through the NAFTA, Canada, the United States and Mexico are in the process of forming an integrated market of 360 million. We are prepared to take concrete, credible steps toward further trade and investment liberalization in the Western Hemisphere. In the same way, the EU has emerged as an economic superpower — the world's largest importer and exporter; a rich, prosperous, single market boasting a population of 340 million and a GDP larger than that of the United States.

Having redefined our respective regions and having helped to restructure the international trading system as a whole through the Uruguay Round, the time has come for Europe and North America to re-examine their shared Atlantic link. Can we create a more comprehensive, dynamic Atlantic economy? Can we find the courage to change and adapt, to create new arrangements based on new realities? Forty years ago we built a transatlantic bridge for our common defence that succeeded beyond our greatest expectations. Perhaps we can build a transatlantic bridge to our common prosperity.

Thank you.