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NOTES FOR AN ADDRESS BY
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TO THE NORTH AMERICAN POLICY GROUP
AT DALHOUSIE UNIVERSITY
AND TO THE HALIFAX BOARD OF TRADE

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Let me begin by thanking the organizers for this opportunity to speak about trade policy on the eve of the Miami Summit of the Americas. I am especially pleased to be discussing such matters in Halifax, foreshadowing as it does the historic G-7 discussions that will be held here in June, discussions which, to an unprecedented degree, will have a major focus on trade and investment in the G-7.

Less than a decade ago, it would have been unthinkable for a Canadian trade minister to muse openly on free trade with the United States or Mexico. Today it is commonplace to talk of an integrated North American economy — an integrated economy which goes beyond more intensive trade linkages to encompass converging infrastructures, common distribution networks, and an increasingly intricate web of cross-border production and investment.

The last several years have witnessed nothing less than economic revolution in North America. And yet, in many ways, it is the choices we make over the next several years which will determine whether an even more profound revolution is set in motion — one which would see the NAFTA [North American Free Trade Agreement] transformed from a limited continental arrangement into the world's most dynamic and powerful economic entity extending throughout the western hemisphere and perhaps beyond.

Like all turning points in history, nothing is preordained. After initially embracing a sweeping vision of free trade from Alaska to Tierra del Fuego, the United States appears uncertain of its next steps. Economic insecurities, domestic priorities, and recent political upheavals in Washington have conspired to cloud the United States' trade objectives and obscure its hemispheric intentions. Partly in response to apparent hesitation in the United States, Latin America has begun to re-evaluate its own options. New regional groupings — even an exclusive South American free trade area — have for some begun to look more attractive as the prospects for full hemispheric integration appear to grow more uncertain.

The dangers of losing momentum at this critical juncture cannot be overstated. At a minimum, we risk missing out on burgeoning trade and investment opportunities in the newly emerging economies of Latin America. Following decades of economic isolation, Latin America is now transforming itself into one of the most open and economically liberal regions in the world. By hesitating now, North America will not only forego the chance of gaining an early foothold in these dynamic markets; it will forego the chance of encouraging and reinforcing their transformation.

We also risk missing an historic opportunity to bridge our two continents, North and South. Brazil has already launched a proposal to use the Mercosur common market as the cornerstone of a South American free trade area. As a means of breaking down

barriers in the region, liberalizing trade and drawing countries into an integrated economic space, Mercosur represents a bold and imaginative step forward, one that Canada encourages.

Nevertheless, it does not require much imagination to recognize that, faced with a closed NAFTA door, the four countries of Mercosur would confront even greater pressure to carve out their own markets and to formalize their own distinct economic space, possibly even by erecting exclusionary walls. At that point, the dream of comprehensive western hemispheric integration could give way to the *Realpolitik* of competing regional blocs — the "them-versus-us" mentality so antithetical to further trade liberalization.

But perhaps the greatest danger in a loss of momentum is to the NAFTA itself. The NAFTA was conceived originally not as a closed or inward-looking bloc but as an open, dynamic arrangement — an association of countries willing to move further and faster toward the goal of free trade. Canada joined the NAFTA in the expectation that it would remain just that — an agreement fundamentally open to all countries prepared to accept its common rules and its disciplines. Unless we can ensure that the NAFTA door is kept open to Chile, Argentina, the Caribbean or other would-be partners, there is a very real risk that it will be permanently closed.

In this respect, the Summit of the Americas in Miami next month marks an important crossroads. For Canada, it is an opportunity to underscore our renewed commitment to Latin America and the Caribbean; to highlight Canada's long-term objective of strengthening our political, social and economic ties throughout the western hemisphere.

But more than that, Miami represents an opportunity to articulate an overarching trade and investment policy for the Americas — a larger, bolder vision that could serve to overwhelm more parochial and divisive concerns and avoid a welter of conflicting trade rules and practices. What is needed in Miami is a clear signal that we are prepared collectively to harness the energy of our economies; that we recognize the creative synergy that can emerge from the marriage of developing and developed economies; that we are committed to building the most open and dynamic trade and investment regime in the world.

Canada has a number of economic objectives that will be advanced at the Summit, including an acceleration of GATT [General Agreement on Tariffs and Trade] tariff reductions in the region; the introduction of greater disciplines in the application of trade remedy laws; the prohibition of all agricultural export subsidies; and the removal of obstacles to investment flows. Beyond this, it is critical to address prospects for harmonization of the various existing sub-regional trade

agreements that have proliferated throughout the western hemisphere. Each of our suggestions is predicated on the notion that the best guarantee of democratic development, labour advancement, and environmental protection in the western hemisphere rests fundamentally with our collective commitment to further trade and investment liberalization.

The first concrete step towards western hemispheric integration begins with Chile. The prompt accession of Chile to the NAFTA offers more than access to a high-growth market of some 14 million people — a dynamic market that is already the destination for over \$4 billion in Canadian investment. Chilean accession is important because it will help to ensure that the NAFTA architecture remains dynamic, flexible, and open. Chilean accession also offers Canada a new partner to tackle the undeniably difficult trade issues of the future, as well as a more balanced negotiating framework within which to achieve these goals. Finally, Chilean accession to the NAFTA represents the key to opening the emerging South American market as a whole. Once Chile is in the NAFTA it becomes that much more difficult for South America to evolve into an exclusionary bloc — and that much more difficult for the NAFTA itself to turn inward.

Indeed, in a real sense the NAFTA — leaving aside such prosaic matters as acronyms — will no longer be the NAFTA, post-Chile. The NAFTA will have moved beyond North America. It will have demonstrated its capacity to grow and expand. It will be part way to fulfilling its potential as an open market of over 800 million representing some \$9 trillion in GDP [gross domestic product].

This in turn will force us to contemplate — quite soon if momentum is to be maintained — how we relate to, or embrace, the remainder of the continent. Mercosur, the Group of Three, the Andean Pact, CARICOM, the Central American Common Market, and the newly created Association of Caribbean States all share the same objectives — greater economic growth and stability, and trade liberalization within the hemisphere. The alternative is a wasteful and confusing myriad of sub-regional trade arrangements that can only be a brake upon the private sectors in all our countries as they try to make sense of conflicting trade rules.

How do we arrange the marriage of the Americas? Do we contemplate formal trade linkages among the NAFTA, Mercosur and other sub-regional agreements, or will these be subsumed into a "single undertaking"? Should we be ambitious in outlining future schemes for hemispheric integration in Miami, or should we build the structure one country at a time?

Regardless of the mechanisms or modalities, North America must signal its fundamental willingness to take a "great leap forward." Expectations are high. If Chilean accession to the

NAFTA becomes bogged down in politics or procedure — and if the path to future expansion in the western hemisphere remains obscure — we risk losing the advantages that would surely accompany a bold, sweeping initiative in which both North and South join.

Where does this leave Canada and indeed the Atlantic region? In a sense, Atlantic Canada is a microcosm of the kind of economic challenge that our country as a whole must face. As a small, specialized economy, we must export to survive. As an open economy highly dependent upon exports, we must take an active role in building — and extending — the kind of rules-based structures that will ensure our economic security and offer our companies, especially the small and medium-sized, the opportunities to seek profitable joint ventures abroad.

As one contemplates an ever changing international economic landscape — the reduction of trade barriers, the integration of markets, the globalization of investment — it becomes increasingly clear that Canada must continue to push its frontiers outward or risk being left behind. The opportunities are there, in the full implementation of the mandate of the new World Trade Organization and in the Asia-Pacific region in the emerging forum of Asia-Pacific Economic Co-operation. In the western hemisphere, the opportunity is immediate. Chile may seem a long way from Halifax; but in a curious and largely unforeseen way it represents a gateway to our collective future.

Thank you.