

**Notes for the remarks of the
Hon. D.S. Macdonald on the Occasion
Of the Thirtieth Anniversary of IRPP
University Club, Toronto, April 9, 2002**

This is an anniversary occasion and as with the other speakers I have been asked to take a look back through the years of the Institute to talk about a development in public policy with which I was associated. My subject is trade and I have been asked to talk about the conclusions on trade of the Royal Commission on the Economic Union and Development Prospects for Canada, known more simply by the name "The Macdonald Commission," and to offer current perspectives on the subject.

Before I address that subject let me just say a few words about the Institute itself and some of the people who over the years were responsible for its success. First credit of course has to go to Ron Ritchie whom I met in the time of Mr. Pearson's Prime Ministership when he was meeting with members of parliament and ministers to persuade them to establish an institute like this to study public policy. Ron had studied the roles of similar institutes in the United Kingdom and the United States and defined a need in Canada for a centre where, on a non-partisan and multi-disciplinary basis, the leading public policy questions of the day might be put under examination. We owe to Ron thanks not only for the inspiration of the concept but also the patience and staying power in persuading the powers that be.

The second person I remember, and with much affection, is the late Senator John Aird. If Ron's task was that of floating the idea, John's was the task to float the Institute financially: to go not only to the private sector where he was known and respected so well but also to the Provincial Governments across Canada to gain their support. The endowment which has carried the Institute forward through all these years owes a lot to the efforts of John Aird.

And the third person for whom I wish to express appreciation is Monique Jerome-Forget who, during the six years that I was Chairman, was the President of the Institute. Monique it was who lifted the Institute out of its environment within the Ottawa community and with the support of the Board moved us to Montreal where we could at the same time establish greater independence from the Federal bureaucracy, and offer to Canadians a truly bilingual Institute which would draw from the best in both the Anglophone and Francophone communities. No sooner had the administrative problems of that move been solved, than

Monique was faced with the challenge of the Quebec referendum. Under her leadership the Institute sought to provide a balanced dialogue between the two contending sides in the highly charged atmosphere prevailing in Montreal.

To all three my words of appreciation and thanks.

My invitation was to come and speak of the work of the Royal Commission and in particular about its recommendation that the Government of Canada should set out to create a free trade agreement between Canada and the United States. It was Pierre Trudeau of course who was behind the creation of the Royal Commission but the freer trade that he had in mind was principally that between the provinces of Canada. As the title of the Royal Commission implies he was concerned about the economic union that Canada is and how it could be made to function more effectively.

International trade, I think, was not in the contemplation of any of the proposers of the Commission and it certainly wasn't in my own when we first sat down to plan the program of work. Only as time went on and preparations were made for the studies and in particular during the meetings which the Commissioners held across the country with members of the public, did the question of Canada's external trade arise. It became obvious to us, as it has been clear for the past two centuries, that favorable access to foreign markets for Canadian products is fundamental to the economic success of Canada and to its survival as a country and that Canada would not continue to prosper without assured access to a larger market; that this was a question the Commission must address in its final report.

Achieving favorable trade arrangements was not a mere afterthought of the late twentieth century. It has been the preoccupation of governments in Canada for over 150 years. Our circumstances dictate our need for foreign markets. A relatively small population on a large and not easily accessible land mass, we have always needed to make our way in life by selling our products to foreign customers. The milestones of Canada's growth over the past two centuries may be identified by a list of commodities that have been our principal exports: fish, furs, squared timber, grains, precious metals, base metals, newsprint, industrial chemicals, oil, natural gas, electricity and the list goes on into the 21st century. In most of those products we enjoyed an advantage but not a monopoly, an advantage that governments in importing countries frequently have sought to take away by trade barriers. Hence from the earliest days of self government in

Canada assuring better trade access was a government priority, initially with the Imperial government but also with the United States beginning with the Reciprocity Agreement of 1854.

Seeking better trade access was a goal of many, and espoused by the Liberal party; but attempting to get access, especially to our large neighbor, was seen as a life threatening experience for successive governments. The Laurier government was defeated in 1911 for proposing a much more modest trade agreement than the one we have now attained and it was the memory of that election, and of his personal defeat in that election, that caused Mr. Mackenzie King to be so cautious about the bilateral trade agreement negotiated with the Americans in 1945 / 46. The recommendation of a free trade agreement with the United States made by the Royal Commission was not therefore universally popular. It is very much to the credit of Brian Mulroney that he was prepared to stake the life of his government on adoption of the trade agreement negotiated with the United States.

At the time it was entered into in 1988 / 89, the Canada U.S. trade agreement seemed to be a singular event confined to the two North American neighbors. In fact it was just the first event in a remarkable decade at the end of the century in which liberal, market-oriented economic policies were adopted, and secured by international agreement, not only in the industrial countries of the West but also around the world.

The Canada – U.S. agreement became a tripartite agreement with Mexico: NAFTA. In the southern core of South America, Argentina and Brazil with their neighbors formed a free trade zone known as Mercosur. The EU negotiated such a treaty with Mexico. Canada went on to negotiate treaties with Chile, Costa Rica and Israel. The countries of the Pacific Rim: the American continent, Asia and Australasia formed Asia Pacific Economic Cooperation (APEC). And most comprehensively, the parties to GATT, the 1947 General Agreement on Tariffs and Trade, with the active participation of a wider group of states than before, created the World Trade Organization (WTO) with a much expanded body of international trade law.

Perhaps most astonishingly, the two great Communist States – the USSSR and China – abandoned their exclusive commitment to central planning and opened their markets to trade, becoming members of WTO.

The beginning of the 90's not only saw a significant change of direction in commercial policy but also a greater freedom for the individual to have access outside his own country and in communication with the world, a freedom of access which would have been unimaginable during the long years of the Cold War. A spontaneous commitment to freedom broke out and it was greatly assisted by an innovation which none of us on the Royal Commission had anticipated in 1985: the internet. Rather than being the conscious direction of governments, it was a sea change led by many peoples in many places at the same time.

Canadians cannot boast that their "leap of faith" was responsible for change throughout the world; but they can be thankful that they were among the first to see the potential of freer exchange not only of goods but of ideas throughout the world.

By comparison with the eagerness for change and the openness of the 90's, our experience since the commencement of the millennium has been much less positive. Ronald Reagan had the political strength to get from the United States Congress the authority he needed to negotiate worldwide, not only the Canada U.S. agreement but worldwide trade agreements. Neither President Clinton nor his successor up to this point has been able to get what is called "fast track authority". Given the ultimate right of Congress to approve trade agreements, foreign governments know that there is no point in entering into negotiations with the United States unless Congress has given in advance some assurance that what has been negotiated at the international table won't be picked to death by individual Congressmen in the domestic political process in the U.S. Under fast track, Congress retains the ultimate right to say yes or no to the whole deal; it foregoes the right to submit foreign parties to a second negotiating process in order to gain its consent.

The signal given by the breakdown of the Canada U.S. negotiations on softwood lumber, and by the imposition by the United States of a tough restriction against imported steel coming from a whole range of foreign partners, means that the protectionists, not the free traders, are running foreign economic policy in the United States. Congress with its parochial mindset, rather than the President with his worldwide responsibilities, will be dictating the international trade agenda. There is no point for the rest of us to go in to major international trade negotiations with the U.S. until we can be certain that its representatives can deal in good faith with those with whom they are negotiating.

So what should Canadian policy be going forward? Firstly Canadian policy should continue to be one of looking for all possible opportunities to remove, by negotiation, barriers to Canadian business whether that be by country-by-country negotiation or by such progress as can be achieved at the multilateral level. This portfolio continues to be fundamental to Canada as it has been for two centuries and the undoubted skills of the Canadian negotiators should continue to be deployed whether on a deal-by-deal basis, or in setting the stage for broader negotiation at such time as the Americans get out of their current paralysis.

There are things we can do at home to make Canada a more effective trading partner. One of those is to seek to remove internal barriers to trade which impair Canada's effectiveness on the world market. It is a paradox that the Royal Commission of 1982 to 85 had a mandate to deal with internal barriers to trade as one of its principal directions but that the Commission's impact was far more effective on external trade than it was on improving the economic union.

There is a spectrum of domestic policy changes, important in themselves that can have a positive effect on our competitiveness.

Each of us has an agenda of aspirations for our country and high on my agenda is the subject of education. A well-educated population gives an advantage both to its individual citizens and to the country. Specifically in the context of international economic competition, I think it is vitally important that Canadians as a workforce be offered the highest possible standards of education. Here I am talking not only about technical training, though that be important, I am talking about education in science, mathematics and communication that will foster more effective adaptability in our citizens to the changes that will face them during their working lives.

What I have to say here is as a lifelong resident of Ontario, and about Ontario's management of its education system. I believe these comments may have relevance in other provinces. I refer to the present negative environment of labour relations between the provincial government and the teaching profession. From my years of primary and secondary school, I remember half-dozen teachers who were exceptional and who had an important influence upon my understanding. That quality of teaching is fundamental for students, not only in developing reasoning and comprehension in the specific subject, but in education for

all subjects. Such a teacher is a resource, not just to her or his own students, but for the educational process as a whole, and for the country.

"You gets what you pays for" in life, and we in this community, if we want to be assured of the best teaching are going to have to pay for it. The education budget shouldn't be seen merely as another instrument for managing the fiscal balance. Equally the system of collective bargaining developed in the '30's and '40's of the last century for assembly-line compensation, is inappropriate to the remuneration of a dedicated vocation. Year in, year out quality education must be provided; its quality should not be dependent on the vicissitudes of the economy. Its remuneration should not have to be settled by picket lines. We have been imaginative in the country in creating institutions to govern ourselves; and, re-designing the management of the education system in a way that recognizes its unique role should be one of our priorities.

In the past two generations Canada has been most successful in bringing to our country immigrants from around the world and integrating them successfully into Canadian life. We will continue to add immigrants to our own natural increase, and we should be concerned about fostering public policies, and attitudes in the public, that enable newcomers to adjust to life among us. I think that the Ontario community into which I was born 70 years ago has grown remarkably out of the narrow colonial mindset it then occupied into a cosmopolitan community.

The common cliché of the 30's and 40's of "the two founding peoples"; as even as late as the '60's, the launching of the Laurendeau-Dunton Commission to deal with bilingual and bicultural questions which, happily, was compelled to yield to the multicultural concept, are examples of that dated self-perception. The reality now is that a significant percentage of our population, and a majority of our immigration, does not come from Northern Europe but from a quite remarkable spectrum of origins around the globe. In law, the most recent group of immigrants welcomed into citizenship by the Citizenship Courts has the same right to be here as I have. We should be making certain that not only should those rights of new citizens be recognized, but that the community as a whole should be prepared to welcome them as partners in a successful society.

We have been spared the kinds of ethnic tension of which there is some much evidence elsewhere. We have been lucky in that. We should not leave it to luck.

My third point of advocacy, and then I will yield to questions, is on the question of maintaining the independence of Canadian institutions, and their survival against foreign control. Let me state it first here, that on this issue I have been on several sides of the national debates over the past 30 years. Recently, Lloyd Axworthy in a forceful address as part of the Keith Davey Series at Victoria College put the case very strongly for a resolute policy to defend the Canadian identity. He reminded us of the strong debate at the Liberal convention of 1966 on this issue, and reminded me afterwards of my role in support of my friend and mentor Walter Gordon at that time. Lloyd was kind enough not to mention that when the time came to defend the Foreign Investment Review Act from repeal by the Mulroney Government, I was not there.

My apostasy was about that particular instrument of control after its 10 years of stormy life, but not about the principle of defending Canadian institutions. Foreign input and foreign participation are welcome but in the end we who live here should control the essential institutions of our society, private and public.

One of the customs of IRPP is that the presentation of the Speaker is only one part of an occasion. The response of the listeners by question and comment is the important next step. So I pause, thank Hugh Segal for his invitation, and ask for your response.