

# Why we need to diversify exports

By Frank McKenna

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A new trade agreement with the United States may provide Canadians with a sense of relief. But these negotiations have shaken our confidence in our largest trading partner. Indeed, our vulnerability has been laid bare for all the world to see. Let's not waste this crisis.

We have known for more than 50 years of our need to diversify our export markets, but nothing has really changed in the way we have responded to that need.

In 1972, then prime minister Pierre Trudeau introduced a strategy that was provoked by U.S. tariffs. The Third Option, designed to strengthen the Canadian economy, emphasized trade diversity and self-sufficiency.

At that time, 69 per cent of our exports entered the United States. Today, the United States takes more than 75 per cent of our exports.

We cannot change our geography, but we can change our competitiveness and improve our quality of life.

Responsible people can disagree with the way forward, but the very debate on priorities would be more helpful than just muddling along. We must not waste this crisis.

Here is my list of what we need to do:

Embrace the digital economy. In partnership with telecommunication companies and provinces, roll out 5G from coast to coast.

Embrace the challenge for talent. We must aggressively recruit the finest minds on the planet for our universities and our workplaces.

Embrace the global economy by being the free-trade centre of the planet. Build on the successful CETA and CPTPP negotiations with ever expanded free trade. And we must not just sign agreements. We must provide the tools for our businesses to diversify their trading

patterns. It is imperative that we get out of our comfortable pew.

Build firewalls against fiscal disruption. True sovereignty and independence go hand in hand with fiscal responsibility. Balanced budgets and lower debt-to-GDP ratios provide a bulwark against inevitable economic downturns and rising interest rates.

Make sure the quality of our labour force is our secret sauce. We must create world-leading rigour in our schools, universities, and technical schools.

Moreover, we should harness the enormous potential of our underskilled work force to create the labour force for the 21st century. Employment insurance should be turned into a transition program offering work and upgrading. Our highly valued support programs must become trampolines, not traps.

Interprovincial trade barriers should be demolished. We have open markets with other countries – why not with our provinces? The Government of Canada has constitutional authority and should use it.

We must also vigorously attack the regulatory overburden that creates friction in “getting thing done.” North America has become ultra-competitive. We must keep up.

We must find a way to dismantle the 12 per cent of our agriculture sector that is supply managed. More competition will lower costs and provide Canadians with greater choice. Yet we must be thoughtful in our approach, in part, by providing generous compensation to our farmers and, equally important, the tools to adapt and thrive. We have an abundance of Canadian export success stories in agriculture to know our farmers can compete on the world stage.

Public health care is a defining part of our culture. We must continue to address the continuum of health-care needs in this country in a thoughtful way. In consultation with the provinces, introduce a national catastrophic prescription drug program as a prelude to a more broad-based affordable program.

Maintain an equitable, competitive and incentivizing tax system. We cannot ignore dramatic change in the United States. We have not had a major review of our taxation system since the Carter Commission in 1966. A refresh is in order.

In matters of public interest, allow for healthy, not endless consultation and debate and ensure the buck stops with the elected officials who are accountable for the decisions they make.

Expand the national debate far beyond a single pipeline. Emulating the wisdom of our forefathers who built a national railroad and national highway system, we should construct a utility corridor coast-to-coast to ensure all Canadians have access to our resources and that export markets allow us to attract world prices. Being hostage to a single buyer is costing Canadians tens of billions of dollars per year.

Indigenous people should be equity participants in major infrastructure investments

and be given preferred access to benefits of projects affecting their territory.

When it comes to physical assets, government should learn to steer – not row --the boat. Governments should concentrate on what they are good at and create opportunities for the private sector to concentrate on their areas of competence. We have world-class asset managers in Canada that can own and manage public infrastructure with as much acclaim as they receive in other parts of the world.

To facilitate our access to world markets, our ports and airports should also be upgraded to world class. The quality and cost of our airports should be improved to reduce the leakage of millions of Canadians a year crossing the border to fly from U.S. destinations, which costs our country tens of thousands of jobs.

These priorities will strengthen Canada's prospects in the global economy, enabling us to move forward with a renewed confidence in our future. Let's not waste our crisis: the NAFTA negotiations should be our wake-up call to seize the day. We have our burning platform!

*Frank McKenna is former Canadian Ambassador to the United States.*