

answers the long-standing request from developing countries for "trade not aid."

What I am presenting here are facts -- you can read them in the agreement. And they add up to real benefits for Canada. But for many Canadians, the only fact that seems to matter is the difference in wages. In fact, average hourly wages for manufacturing workers in Canada are around seven and a half times the amount made by factory workers in Mexico. So the fear sets in that we can't compete.

As students of economics and commerce, I am sure you understand why that argument is simplistic and misleading in the extreme. The fact is that wages only constitute one of the factors in determining competitiveness. On average, they account for less than one fifth of manufacturing costs. If it was just a question of wages, why wouldn't every company set up shop in Haiti? Or, to be a little less stark, why haven't all the factories in Europe moved to Greece or Portugal?

A better indicator of competitiveness than wages is productivity. According to a Department of Finance study, a Canadian worker's productivity is about six and a half times higher than a Mexican worker's.

Look, also, at the cost of capital. Again the Finance Department study points out that the cost of investment capital here is about half of what it costs in Mexico. And once those investment dollars are put to work in new plant or equipment, they could produce returns 10 per cent higher than the same dollars invested in Mexico.

Quality of life is also an important competitive factor. The best workers are attracted to environments where they can live healthy, interesting lives. They want places where their children can attend good schools, which in turn will produce capable workers with diverse skills. And more than anything else in today's modern business environment, it is the knowledge and skills of people that most determine an economy's competitiveness.

The NAFTA, by expanding the scope of opportunity for Mexicans, will help raise their standard of living, their environment and their competitiveness. And it will do the same for us -- providing we have the self-confidence to meet the challenges that it presents.

Trade agreements like the NAFTA and GATT only provide a framework. They do not create trade in and of themselves. It is up to Canadians to take the initiative and seek out ways to make new sales of goods and services and make new investments.