

weak form of recommendations that emerged from the December, 1989, European Summit, or whether some countries will continue to press for enforceable, binding directives.

### 5.3.2 Social Programmes under the Canada-U.S FTA:

Unlike the Euro-charter, no explicit guarantee that any particular social programme was exempt from trade action by the other country was included in the FTA. Critics of the Agreement see this as one of its most serious flaws, pointing to the asymmetries of size and power between the two countries, the high degree of economic interdependence and the substantial differences in social programmes as likely to lead in Canada to a gradual erosion of hard-won benefits by competitive pressures.

It is important to distinguish between two different types of social programmes or employment standards:

- those which raise the direct cost of doing business for all employers -- such as minimum wage laws, UI premiums, or health and safety rules; and
- those which may reduce costs to some employers but are financed by higher taxes on all -- such as universal health insurance or regional development incentives<sup>127</sup>.

This distinction will help determine the economic and political viability of Canadian social programmes and standards.

In the latter case, U.S. competitors who believe themselves subject to unfair competition as a result of the "subsidy" provided by these programmes may make use of U.S. trade remedy laws, such as countervailing duties, to bring pressure against the offending Canadian government to bring its programmes into line with those of the United States, or to remove the competitive advantage conferred by the imposition of countervailing duties.

In contrast, in the first case requests for reduced social spending and lower standards may come, not from the United States, but from Canadian sources. For instance, some Canadian manufacturers already have identified minimum wage levels, higher in Canada than in some U.S. states, as a handicap to competitiveness and have requested reductions. While it seems unlikely that reductions will occur, the increased freedom to relocate production to lower wage jurisdictions within the new expanded Canada-United States market created by the FTA in many industrial sectors can only increase pressure to keep standards to a minimum. This holds equally true for any company presented with wage

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<sup>127</sup> It has been estimated that Canada's medicare system reduces by \$300 the cost of each car assembled in Canada over those assembled in the United States. The average per employee cost of similar health coverage now exceeds \$2600 compared to \$600 in Canada. Companies which do not pay any health benefits would be better located in those jurisdiction without the higher taxes needed to sustain the state funded portion of health care.