

# QUEBEC

## Trade: Securing Canada's Future

### MORE JOBS FROM MORE TRADE

Canada is a trading nation. With only 25 million people, our domestic market is not large enough to absorb our production. Our prosperity everywhere depends on selling our goods and services in the international marketplace. Thirty per cent of our national income and 3 million jobs depend on trade.

The trading world is fiercely competitive and increasingly protectionist. It is dominated by big power blocs — the United States, Japan and the European Community. Canada is alone as a major trader without guaranteed access to a mega market. We are especially vulnerable.

It is crucial to maintain and expand our access to international markets. To this end the federal government, under Prime Minister Brian Mulroney, is pursuing a two-track national trade strategy.

### TWO SETS OF NEGOTIATIONS

Canada is actively participating in the new round of multilateral negotiations under the General Agreement on Tariffs and Trade. The GATT, whose 93 nations account for four-fifths of world trade, was formed in 1947. It has worked effectively to liberalize and increase world trade. Canada has benefited greatly, but GATT negotiations are long and complex.

To deal more expeditiously with the three-quarters of Canadian trade that is conducted with the United States, the government is conducting bilateral discussions with Washington. The goal is to enshrine in a comprehensive trade agreement the widest possible package of mutual reductions of barriers to trade in goods and services. These negotiations are of utmost importance to Canadians in every province.

### SECURE ACCESS TO U.S.

Our neighbour is our biggest customer, buying 77 per cent of our exports. More than 2 million jobs depend on trade with the U.S. But the Americans, facing a huge trade deficit, are mobilizing their forces to stop what they consider unfair competition and trading practices.

Canada has experienced the impact of these protectionist pressures. Many sectors of our economy have been hit both directly and indirectly. The need to preserve access to our largest market in a binding agreement is readily apparent.

Equally, free trade with the U.S. under a stable framework of rules and appropriate transition and adjustment assistance arrangements, offers us the opportunity of increased investment, economies of scale in production and improved competitiveness. Most studies project an agreement would result in more jobs, more secure jobs, better jobs. At the same time, free trade would bring a better selection of goods and services at lower prices to Canadian consumers and industries using imports in production.

### CLOSE CONSULTATION

The Prime Minister and Premiers meet every three months to review progress of the negotiations. International Trade Minister Pat Carney consults with provincial trade ministers. Provincial officials meet monthly in the Continuing Committee on Trade Negotiations, chaired by Canada's Chief Negotiator, Ambassador Simon Reisman.

Private sector input to both sets of negotiations flows from all provinces through the International Trade Advisory Committee and the Sectoral Advisory Groups on International Trade which report to Miss Carney.

### REGIONAL DEVELOPMENT

More economic expansion in the country's areas of slower growth is projected as a result of free trade with the U.S. Indeed, if an agreement can't be reached which benefits Canada and its regions, Canada won't sign it. In any event, self-determination in setting regional development policies and Canada's capacity to sustain regional development are not at issue in the trade talks.

Each province and territory is a trader. The prosperity of each depends in large measure on the successful conclusion of negotiations with the United States and, through the GATT, with the rest of the world.

### AN EXPORT ECONOMY

Quebec's traditional areas of strength in raw and semi-processed natural resources have been augmented by a booming trade in manufactured goods. These include major exports of advanced-technology products and parts.

Three quarters of the province's commodity exports, which totaled \$20.8 billion in 1986, go to the United States. Main items include newsprint, motor vehicles and parts, aluminum and alloys, telecommunications equipment, softwood lumber, and aircraft engines and parts.

Two-thirds of Quebec pulp and paper exports go to the U.S., meeting about 30 per cent of that country's needs.

The increased degree of processing of Quebec exports means that 90 per cent of them today come from the manufacturing sector, which employs about 550,000 people.

Immense electric power generating capacity, 90 per cent from hydro, has contributed to exports in many ways. Low-cost electricity has brought aluminum processors and other export industries to the province. Electricity is also exported in growing quantities to the United States. The electrical equipment industry fostered by Hydro-Quebec has become an exporter. Finally, Hydro-Quebec itself has become an exporter of expertise to other countries.

The important textile and clothing sector has been modernized to try to cope with competition. Meanwhile new hopes are pinned to an expanding aerospace industry. Quebec also has good software and systems development capacity, some capable makers of complex circuitry, and other specialized electronics and telecommunications products. Biotechnology expertise is expanding.

Montreal-based engineering companies of world-wide repute contribute to Quebec's invisible exports. Banks and other financial companies also are important exporters of services.

In the mining sector, exports include gold, iron ore, copper, asbestos, zinc and silver. The farm sector is dominated by dairy and livestock production.

### TRADE ISSUES

Quebec has a major stake in rolling back protectionism and gaining easier access to the United States and other foreign markets through the Canada-U.S. and GATT negotiations.

### Protectionist Challenge

The province's exports have encountered an increasing array of non-tariff barriers in the U.S. such as the actions taken against softwood lumber. Quebec exports of cement and transportation equipment have been curbed

by Buy America preferences. Export of subway cars has been limited by countervailing duties.

### Resources, Manufacturing, Services, Agriculture

Canadian negotiators are seeking broad and deep concessions on both tariff and non-tariff barriers. Quebec manufactured exports that stand to benefit most are resource-based items, such as pulp and paper and chemical products, which face tariffs that discourage processing in Canada, as well as occasional non-tariff barriers.

Other important manufactured exports, such as mass transit equipment, aerospace and telecommunications, could benefit from greater access to U.S. government procurement markets, both civilian and defence. Quebec's capital goods and equipment industries could also benefit from both lower U.S. tariffs and elimination of the threat of countervailing duties.

Many firms in sectors such as life insurance, construction and consulting engineering, and business services have indicated they could gain from trade liberalization.

Quebec's agricultural sector could gain secure and enlarged access in its exports of livestock (such as hogs), meat and processed products. Negotiations on both tracks — Canada-U.S. and GATT — will seek greater stability in the agricultural sector and agreed rules on subsidies.

### Conclusion

The depth and breadth of the Quebec economy put it in a good position to benefit from free trade between Canada and the U.S., and a more general lowering of barriers under the General Agreement on Tariffs and Trade.



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