

(Note: The quotations from the Agreement have been purposely kept brief. The readers may consult the complete articles to confirm that the conclusions are correct.)

The abstract notion of freedom from restrictions in trade is certainly very appealing. And there will hardly be a Canadian who will not want more prosperity for himself or herself and for his or her family, or for that matter, the country as a whole. Also, little can be said against establishing rules of conduct and formal procedures for resolving any trade disputes. The question is whether there is a hidden cost for Canada in this Agreement in the long run?

CLAIMS OF SUPPORTERS

The national ad campaign under the heading: "Straight Talk on Free Trade" asserts that: "It does not affect our sovereignty. It does not harm our social programs. It does not menace our healthcare programs. It does not undermine our culture. It does not threaten our environment, our fresh water, our energy resources or our farmers. Any claims to the contrary are false. They are not based on the facts of the Agreement. They are based on fear. ... Canada is and will remain a free vibrant and independent nation."

If these assertions were to be taken as facts, then there is nothing to debate about. But these are at best hopes, projections and predictions, just as are the words of those who want to tear up the Agreement, and who at worst can be called the prophets of doom and gloom, but not liars. Since the Trade Agreement is a written document, it is really not impossible to ascertain facts. The difficulty is in defining or agreeing to what is meant by "sovereignty" or "Canadian culture", as distinct from the American.

The ad goes on to say: "Never before has the United States of America agreed to limitations on its freedom of action in these areas. No other nation has this degree of security of access to the huge U.S. market, nor is likely to get." Obviously, the Agreement is not a gesture of pure generosity on the part of the United States towards Canada, because otherwise why will they get so upset if the Canadians were to refuse this Agreement? Therefore, one may ask, what does the United States lose if the Agreement is not ratified by Canada? An answer to this question may also give a clue as to what would Canada lose if the Agreement does become a reality.

NO DISTINCTION BETWEEN CANADIAN & U.S. BUSINESSMEN

The Agreement certainly provides many freedoms to the businessmen in the United States and Canada. In the Introduction to Chapter 1, it says: "Canada and the United States will treat each other's goods, services, investments, suppliers and investors as they treat their own insofar as matters covered by this Agreement are concerned." In other words, the business people will have a kind of dual citizenship. For them the national boundaries will be partially eliminated, as the following articles confirm.

ART. 1602: NATIONAL TREATMENT

...each Party shall accord to investors of the other Party treatment no less favourable than accorded in like circumstances to its investors with respect to its measures affecting:

the establishment...the acquisition...the conduct and operation...and the sale of business enterprises located in its territory.

Neither Party shall require an investor of the other Party by reason of its nationality to sell or otherwise dispose of an investment (or any part

LOOKING AT THE CLAUSES.

By
Matin Yaqzan
Dept. of Mathematics
Asst. Professor, UNB

thereof) made in its territory.

ART. 1603: PROHIBITS GOVERNMENTS FROM DEMANDING THAT INVESTORS EITHER PURCHASE GOODS AND SERVICES LOCALLY OR HAVE A CERTAIN LEVEL OF DOMESTIC CONTENT.

LOSS OF SOVEREIGNTY

The amendments required in The Investment Canada Act are certainly an example of loss of governmental authority in regulating takeover of Canadian business by the U.S. citizens. According to ANNEX 1607.3:

2. The Investment Canada Act and its regulations shall be amended as of the date of entry into force of this Agreement in accordance with the provisions that follow:

a) ...i) The threshold for the review of a direct acquisition of control of a Canadian business shall be...

E) commencing on the fourth anniversary of the date of entry into force of this Agreement, Canadian \$150 million in constant third-anniversary-year dollars.

That is, from the year 1993 on, the Government of Canada will have no control over the acquisition of the control of a Canadian business by an American individual or corporation, unless it is worth \$150 million or more in terms of 1992 Canadian dollars, which amount will increase through inflation in the future years.

Chapter 15 of the Agreement confers on businessmen the freedom of movement across the border. The Introduction says: "National laws and regulations governing their entry will be liberalized and entry procedures will be quick and simple." But not for the non-business traveller.

BUSINESS AND GOVERNMENT

The business communities in Canada and the world at large have some very intelligent and clever people among them, but they are not social philosophers or reformers, nor should they be expected to be. Their primary concern is not the over-all

well-being of a community or a country, rather to achieve excellence in the business they might be in, which, because of intense competition, requires survival of the fittest mentality. It is really not fair to expect them to do otherwise, notwithstanding the recent expectations of good corporate citizenship.

The American business certainly does not need any free trade agreement to operate freely in the United States, and yet not all communities or regions in the United States are equally prosperous. They would rather go to Mexico, Hong-Kong, Taiwan, Philippines, Korea, or anywhere else, in search of cheaper labor and lower costs. And it is difficult to blame them. In short, while the business community in any country has enormous influence on its fortunes, it cannot be expected to shoulder the responsibility of managing the affairs of the country with an eye on the well-

It is natural therefore that some government regulations will appear as unnecessary obstructions in the eyes of the business, who would prefer unfettered access to any market or any resource, regardless of long term conse-

quences. It is needless to point out that most of the environmental problems like acid rain, nuclear waste, strip mining, deforestation, etc. are examples of the results of business activities which are known to be harmful, but are too profitable for the business community to give up voluntarily.

"GOVERNMENT CREATED TRADE DISTORTIONS"

It is therefore interesting to note that the following statement appears in the Preamble of the Agreement: Canada and U.S. governments have resolved "To reduce government-created trade distortions while preserving the Parties flexibility to safeguard the public welfare". Of course, the cryptic phrase "government created trade distortions" may include the effects of any government regulation that comes in the way of business interests.

Chapter 16 and 17 of the Agreement on Investment and Financial Services, respectively, provide the examples of how "distortions" are to be removed by exempting U.S. investors from certain Acts of the Canadian Parliament.

ARTICLE 1703: COMMITMENTS OF CANADA

1. United States persons ordinarily resident in the United States of America shall not be subject to restrictions that limit foreign ownership of Canadian-controlled financial institutions and, in accordance with this obligation, such United States persons shall not be subject to:

a) subsection 110 (1) of the Bank Act; b) subsections 19 (1) and 20 (2) of the Canadian and British Insurance Companies Act;... c) Canada shall...c) exempt such subsidiaries from the requirement to obtain approval of the Minister of Finance prior to opening additional branches within Canada;... In effect, some of the restrictions that were placed, I believe, during the Trudeau era, to control the acquisition of Canadian financial institutions by U.S. interests, will be removed to give U.S. business a free hand. It would appear that much of the gain for the U.S. business will be in the areas of investment and financial services.

ENERGY

Another major concession for the U.S. is in the area of energy, as exemplified by:

ARTICLE 903: EXPORT TAXES

Neither Party shall maintain or introduce any tax, duty, or charge on the export of any energy good to the other Party, unless such tax, duty, or charge is also maintained or introduced on such energy good when destined for domestic consumption.

ART. 102: OBJECTIVES:

The objectives of this Agreement...are to: a) eliminate barriers to trade in goods and services between the territories of the Parties;...

A careful look at Canada & the Free Trade Agreement

being of all its citizens. It is the job of the governments. And it is up to governments to help the business wherever possible, coordinate its activities, and at the same time, put restrictions whenever necessary, to insure the health and happiness of the population, with due regard for the long-term needs of the country. They should not become pawns in the hands of any segment of the business community.

No one needs to be reminded that Canada is a cold country, that oil and gas are non-renewable resources, and that Americans are great energy guzzlers - not to mention that Canadians are also wasteful. But Americans can waste 10 times faster. Therefore, while it might make some Canadians prosperous selling oil and gas to the United States at the same price as they do to Canadians, what would happen in the long run? How will the Canadians fight the cold weather in the future? The nuclear energy has not proved as safe as it might have been. Is it really smart to get rid of all the non-renewable energy as soon as possible?

It is one thing to help the American neighbors in time of need, as after the Arab oil embargo in 1973, and it is another to give them a green light to

ART. 1408: DEFINITIONS

...activity associated with the provision of a covered service includes the organization, control, operation, maintenance and disposition of companies, branches, agencies, offices, or other facilities for the conduct of business; the acquisition, use, protection and disposition of property of all kinds; and the borrowing of funds;...

ANNEX 1408 lists more than sixty (60) different kinds of services, including the following, that the U.S. business is free to take over:

- 1) Farm management services, (2) Oil and gas field services, (3) Insurance Services, (4) Patent ownership and leasing services, (5) Real estate agency and management services, (6) Real estate leasing services, (7) Advertising and promotional services, (8) Personnel supply services, (9) Security and investigation services, (10) Commercial educational correspondence services, (11) Health care facilities management services, (12) Retail management services, (13) Computer services, (14) Tourism services.

It is not difficult to imagine that if "Health care facilities management services" are included in the "covered services", and their organization, control,

burn and exhaust the resources as they wish. Similar considerations will apply to the use of water.

WHAT DOES THE UNITED STATES LOSE?

Hence the answer to the question, what will the United States lose if the Agreement is not ratified, seems to be that (i) the United States will not have unrestricted investment opportunities in all kinds of businesses in Canada, and (ii) will lose a cheap source of energy next door.

MEDICARE AND OTHER SOCIAL PROGRAMS

As to whether or not our medicare or other social programs will be affected, is a matter of conjecture. Mr. Emmet Hall is right in saying that there is nothing in the Agreement that directly affects the medicare, but the possibility of indirect effects cannot be ruled out, because of the following articles of the Agreement.

ARTICLE 701: AGRICULTURAL SUBSIDIES

Each Party shall take into account the export interests of the other Party in the use of any export subsidy on any agricultural good exported to third countries, recognizing that such subsidies may have prejudicial effects on the export interests of the other Party.

AMERICANS ARE NOT ANTI-CANADIANS

It would be incorrect to say that the Americans are anti-Canadian, or they are out to destroy the medicare system or other social programs in Canada. It is more likely that some day they themselves will adopt a system similar to that of Canada. But, as mentioned earlier, the interests of the American business and those of average Americans are not one and the same thing. More than 99.9% of the Americans may have little knowledge of the Canada U.S. Trade Agreement and may not have lustful eyes on Canadian business or resources. As a matter of fact, there might be more Americans than the entire population of Canada, who may be interested in preserving the resources and in making wise use of them, no matter where they originate, in Canada or the United States. But we are not dealing with them. The Agreement is a deal for the traders in both countries and is being advanced by them and their supporters.

"CANADIAN CULTURE"

Canadian culture is becoming less and less distinct from the American culture, as a result of television and other means of communication. However, the Americans cannot be held responsible for this. It is a universal phenomenon: mimicking the powerful and the mighty. Even the educated can't escape the process. During the Vietnam War, when the American students rioted, the Canadian students followed in their footsteps. When the American teachers unionized, so did the Canadian teachers. When the American girls put on jeans, so did the Canadian girls. When sex became freer in the United States, so it did in Canada. As single parenthood is becoming fashionable in the United States, so it is becoming in Canada. Of course, the copying is not confined to Canada alone; it can be seen in other parts of the world.

In spite of the similarities, however, there is a difference of degrees and

Does such prosperity improve the quality of life and make people happier? The fact that some Americans and some Canadians do not have enough to eat or do not have shelter is not because of lack of food or lack of means to provide shelter. Increased prosperity is not the answer.

It is not difficult to see that unlimited prosperity is a major cause of pollution and the destruction of the environment that everyone gives lip service to. Wasteful living, cars and trucks are the main culprits, but the manufacturers are not the only guilty party. The entire population and its leaders must be blamed. People still shed tears over the unnecessary death of about 55,000 Americans during the Vietnam War, but that is about the number of Americans that get killed each year on American highways, and no one mentions it as a tragedy - a tragedy that can be avoided. Beside the dead, there are thousands who are maimed for life. Similar statistics can be cited for Canada.

Why must trucks be used instead of trains for transporting goods? Why must each worker drive a car to and from his place of work, causing traffic jams and deaths, instead of using buses and trains? Prosperity and pollution are interrelated and wholesome balance must be maintained. The Free Trade Agreement can aggravate the problem of pollution, if more industries are established in Canada to satisfy the wasteful needs of a larger population.

CONCLUSION

Canada and the United States are good neighbors and are likely to remain so with or without a Trade Agreement. However, there are reasons to believe that as a result of the Agreement, Canada will look more like the United States in due course of time. As Mr. Clayton Yeutner, U.S. chief representative is supposed to have said: "The Canadians don't understand what they have signed. In twenty years they will be sucked into the U.S. economy."

WHO IS TELLING THE TRUTH?

Author's Note: This article is in no way intended to reflect the views or beliefs of the Student Union, its executive, councillors or members.

Luigi Rocca

Finally, Mr. Turner and Mr. Broadbent claim that our culture and subsequently our sovereignty are in peril and that the FTA will lead to our becoming the 51st state. How can this be when article 2005 of the FTA expressly exempts culture from the agreement? Still, we are fed a seemingly perpetual diet of the same old rhetoric: We can't compete; our social programmes will be in jeopardy; and we'll lose our sovereignty. The Liberals and the NDP, in this campaign, have raised the conjuring up of irrational fears to an art form. They leave much to be desired, however, when it comes to backing up their claims.

Nonetheless, in all fairness, why should we trust the PC government? Consider that since 1984 about 1.3 million jobs have been created. Consider that the national unemployment rate has fallen from 11.7% to 8.0%. Consider that the dollar is above 80 cents US for the first time in over four years. As well, consider that the inflation rate has been around 4% for the last four years.

I find it difficult to believe that a government with this record is so naive or corrupt that they are willing to "sell out" Canada. I don't believe any Canadian party is capable of that. I do believe, however, that Free Trade is beneficial to Canada and I think that at least the Liberals and probably the NDP agree with me. Brad Woodside, the Liberal candidate for Fredericton has stated publicly that Liberals are in favour of Free Trade but that they have problems with the agreement. Yet both the Liberals and the NDP fail miserably in their inept attempts to criticize the trade deal because they can't back their claims with concrete evidence.

Meanwhile, the list of pro - Free Traders is growing. The president of the Atlantic Chamber of Commerce, which represents over 15,000 businesses in Atlantic Canada (of which the vast majority are small and medium size) has come out in favour of the FTA and is encouraging all businesses to do the same. Eight of ten members are in favour of the FTA. Editorials in the *Toronto Globe and Mail* and the *Fredericton Daily Gleaner* have strongly endorsed Free Trade.

There is at least one consolation that emerges when the dust clears which is that patriotism is alive and well in Canada. Whether you're an anti-Free Trader afraid that we will lose our "national identity" or a pro-Free Trader anxious to expand Canada's economic horizons, we are all in effect fighting for the same cause: the future of our country.

However, Catherine Ford of *The Calgary Herald* said in a recent article that "... the real truth being told, is in the Liberal Campaign slogan. But they're right only in the wording, not in the intent. This election is about Canada's future but that future lies in a strong economy"

Many foreign investors seem to agree with Catherine Ford that the recent rise in the popularity of the Liberal Party in the polls has not so coincidentally coincided with a drop in the value of our dollar on the world market. Even foreign investors can plainly recognize the benefits of Free Trade. There are many countries that would salivate at the prospect of a Free Trade Agreement with the US and we're in danger of letting this opportunity slip away.

We are kidding ourselves if we think that Canada could survive without foreign investment and despite protectionism that is bound to arise from the US if the deal does not go through. We should take the lead of the businessmen of this country - people who know that Free Trade is beneficial for Canada because this is one lesson I am afraid we can't afford to learn the hard way.

Is it any wonder that so many Canadians are so confused about Free Trade? If you rely on television newscasts, the papers or the claims of the Liberals and the NDP for information about Free Trade, you might get the impression that Free Trade is bad for Canada. More specifically that it is a threat to our social programmes such as Medicare, unemployment insurance and child-care. Most importantly, however, that it is a threat to our very sovereignty.

The Progressive Conservatives continue to maintain that Free Trade is good for Canada, that Free Trade does not pose a threat to our social programmes and that Free Trade is not a threat to our sovereignty.

The question Canadians are faced with is who is telling the truth? This question has many of us shaking our heads in frustration. This is due in large measure to the fact that the only absolutely unbiased information available on Free Trade is the actual agreement itself. In case you haven't actually seen the document, it's about an inch and a half thick and isn't exactly what you would call bed-time reading. Consequently, many Canadians have not bothered to read the agreement and therefore know virtually nothing about it. As a result, the scare tactics of the Liberals and the NDP have, to a certain extent, been successful. However, someone once said "you can't fool all of the people all of the time." I hope, for our sake, that he was right.

Let's analyze some of the claims of the opposition. Firstly, John Turner and Ed Broadbent have said that social services are threatened by the agreement because more open competition will force Canada to cut back on the burden of social programmes to remain competitive with the US. Brian Mulroney maintains, however, that social programmes are not in the agreement. In fact, this was confirmed by 94 year old Justice Emmett Hall (the Father of Medicare) who felt compelled to state publicly that nowhere in the agreement were social programmes covered. As it stands now, 80% of our trade with the US is "free," yet the Liberals and the NDP have failed to explain how lowering the remaining trade barriers will undermine our social programmes.

Secondly, Mr. Turner and Mr. Broadbent say that the U.S. will attack our social programmes as an unfair subsidy in the five to seven year negotiations on the rules of countervail. This claim is made despite the fact that according to the General Agreement on Tariffs and Trade (GATT) Subsidies Code, social services are not countervailable.

Thirdly, Mr. Turner and Mr. Broadbent claim that regional development is threatened under the agreement. Our own Liberal Premier Frank McKenna has made statements extolling the virtues of Free Trade, not only for New Brunswick but for the entire nation.

there are some marked differences between the Canadian and American cultures. For example, there is much less violence in Canada than in the United States. Life is more serene. There is less worshipping of flag and the country; less assimilation of different groups of people. Then there are subtle differences of mannerisms and etiquettes, and differences caused by climate and history that make Canada different from the United States in the eyes of the world.

Americans have no reason or need to wish to change Canada culturally. They are proud of their own culture and country. The President-elect, Mr. Bush, said during the campaign that America is the envy of the world. However, if all the barriers to trade and services between the two countries are eliminated, there will be an inevitable change in culture.

PROSPERITY AND POLLUTION

What is prosperity? More factories to make more things? More material things, whether needed or not? Is there a limit to prosperity? How prosperous must a country be to be satisfied? Will we be more prosperous if every family had 3-4 cars instead of one or two?