

*Canada-U.S. Free Trade Agreement*

Government, the negotiation of a trade agreement that will secure and enhance Canada's trade with our largest trading partner.

As Canada's former Minister for International Trade, and as the Member representing the northern Ontario riding of Sault Ste. Marie, I am particularly pleased that Bill C-130 has now reached third reading stage in the House of Commons.

Today I would like to focus on why Canada must develop a more predictable trading relationship with our friends to the south, and why the trade agreement is a good deal for Canadians, particularly Canadians living in northern Ontario.

The need and the rationale for a new trade agreement with the United States quickly became clear to me in September, 1984, when I assumed my responsibilities as Minister for International Trade.

When our Government took office in the fall of 1984, Canadian exports in several key sectors were under fire in the United States. Our forestry, mining, fishing, and manufacturing exports to the United States were being targeted regularly by American trade actions. Yet there was no mechanism in place to allow us to protect our interests effectively. Our Prime Minister (Mr. Mulroney) demonstrated both leadership and a national vision when he put on our political agenda the negotiation of a free trade agreement.

In today's world the *status quo* would not provide the jobs required for Canadians in the 1990s. Our Prime Minister had campaigned in the 1984 election on the theme of "jobs, jobs, jobs". In northern Ontario we understood that clearly those new jobs could not be created without such a comprehensive trade agreement. Simply stated, the *status quo* was not working, and thousands of Canadian jobs were at stake.

Take for example an industry that is critically important to the well-being of Canada's manufacturing industry, and to my riding of Sault Ste. Marie, the steel industry. In 1984, the U.S. International Trade Commission recommended that protectionist quotas and/or tariffs be allowed and applied to certain products of steel. In the end, voluntary restraint agreements were proposed for all of the steel products exported from countries considered to be trading unfairly through dumping or subsidization. At the time there were strong voices in Congress arguing that Canadian steel exports should also be blocked.

The stakes in this game were high for the residents of Sault Ste. Marie. Algoma Steel is the primary employer in my riding, and Algoma exports approximately one-quarter of its production to the United States. Well over 2,000 jobs directly depend upon steel exports south of the border. Ultimately, we have succeeded in excluding the Canadian steel industry from being side-swiped by these protectionist measures that were aimed primarily at countries like Brazil and Japan. However, our steel producers continued to be targets of various rear-guard actions.

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I quickly realized that, although Canada and the United States had an institutional mechanism to deal with the administration of the bridge that links our two countries in the Sault, there was no dispute resolution mechanism available to deal with our day-to-day trading relationship. Trade disputes were being dealt with on an *ad hoc* basis, with varying results.

It would have been irresponsible to continue to try to manage the largest two-way trading relationship in the world on an *ad hoc* hit-or-miss basis. This is one of the primary reasons that led to our decision to explore the opportunity of securing and enhancing our trade with the United States.

We carefully examined the facts and consulted with Canadians before embarking on negotiations with the Americans. Three of the most noteworthy facts are as follows: First, Canada has an internal market of 25 million people. This market is spread over 4,000 miles and is subject to various interprovincial barriers.

Our domestic market is relatively small when compared to the United States domestic market of over 240 million, or Japan's market of 130 million. Let us not forget that producers in the European Economic Community have access to a single market of 320 million consumers.

Second, given our relatively small domestic market, Canada must trade with other countries if we are to prosper as a nation. About a third of Canada's Gross National Product depends on access to foreign markets.

Among industrialized countries, only West Germany comes close to Canada's degree of dependence on access to foreign markets. However, West Germany has privileged access to a market of over 300 million consumers, whereas Canada's domestic market is less than one-tenth in size.

The importance of trade to Canada can perhaps best be understood in terms of jobs. Three million Canadians depend on trade for their jobs.

Third, the United States is by far Canada's largest trading partner. Over three-quarters of Canadian exports are sold to the United States, and approximately 2 million Canadian jobs depend on this trade. Last year Canada's two-way merchandise trade with the United States totalled approximately \$175 billion.

The United States is Canada's most important trading partner for many reasons that relate to geography, history, and economics. Although the Trudeau Government's third policy option attempted to increase Canada's trade with Europe and decrease our trade with the United States during the 1970s, the relative importance of the U.S. market has continued to grow.

Given the fact that Canada must effectively manage its trading relationship with the United States if we are to prosper as a sovereign nation, our Government began a consultation