

# Hurtig fears future and federal intentions

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**Hurtig:** If we had free trade in steel we would hurt the rear ends of them. But under this agreement there are still quotas on Canadian shipments of steel to the U.S!

There are certain areas of raw materials and natural resources where it is obvious that those industries will do extremely well. The resource sector will do, at least in the short term, extremely well.

But in the manufacturing and service sectors we will be badly hurt. This is where the jobs are, where most of all of the new job creation in the last ten years has come — virtually all of it in the service sector.

92.5 percent of all the new jobs created in the last ten years have been created by small Canadian companies with fewer than twenty employees. These companies have no export propensity whatsoever.

**Gateway:** In all industries?

**Hurtig:** Yes, and all the jobs in the goods producing sector of the economy have been produced by small Canadian companies, not big Canadian companies and not by foreign multinational corporations, American or whatever.

If you take into account all the states that border Canada, there is an enormous drop in investment and in industrialization. Many of the jobs moved down to the Sunbelt. Why would somebody invest in Edmonton, for example, if it gets down to minus forty and heating costs are enormous compared to North Carolina or Tennessee.

There are trade unions up here, and a Medicare system to pay, there are long distances to markets from here to major population centres. Why would people put investment here in the future?

Jobs and standard of living will go down.

**Gateway:** General Electric recently seems to have done the opposite. They shut down a large locomotive producing plant in Chicago and rebuilt it in London, Ontario.

**Hurtig:** For every example you give me like that, I can give you twenty of the opposite kind, I can promise you.

**Gateway:** Does your vision of Canada not include big business?

**Hurtig:** My vision of Canada is as a normal country where people are going to have the ability to maximize their control of their own

The whole history of Canada has been different than the U.S. Much of what is going to happen with this trade agreement is a harmonizing of policies and a standardizing of policies. In all of the debates I have had with Don MacDonald, Carl Beigie, and Simon Reisman, have yet to hear one Canadian policy that the Americans are going to harmonize with — it's we Canadians who are going to be doing the harmonizing.

**Gateway:** The Consumers Association of Canada suggests that the dropping of tariffs will cut the cost of living by about seven percent. Is the association correct in its estimate?

**Hurtig:** Robert Kerton, an economist with the Consumer Association of Canada, has said "Consumer benefits have been greatly exaggerated — it's like being offered an omelet without the eggs — the deal was obviously oversold, and this leaves us very concerned about the security of our natural resources."

The Manitoba government did a study and their findings are that on the average the gain would be \$2000 per person per year... which could easily be achieved by a small

**Gateway:** Won't prices go the other way if we leave it up to Ottawa?

**Hurtig:** I think, after the last amendment to the constitution, Alberta has greater control of its natural resources than it has in the past. My problem of controlling our natural resources is that we Canadians don't get enough revenue from our own resources.

There have been people employed here in Canada as a direct result from U.S. investment and there has been revenue to the government. But the question really is have they created enough jobs. Would the oil sands have been developed earlier without more Canadian control? Would there have been more reinvestment in Alberta? Would there have been more diversification of the Canadian economy and would we have developed a machinery industry here in Alberta?

**Gateway:** You're saying that Canada is largely responsible for its own diversification. But where is new Canadian investment going to come from?

**Hurtig:** That's my whole point. I think there is adequate Canadian investment. I haven't seen one single study that shows that there is not proper Canadian investment. This country has to create incentives for foreign investment and be more competitive in terms of creating incentive for domestic investment.

You give Albertans and Canadians a 15 percent return on their investment and there would be a lineup from here to Halifax. That's an oversimplification but Canadians are one of the highest per capita savers in the world.

How much money goes out of Canada to pay for investment? — Is that worth considering? There are many different ways money leaves this country — interest payments, dividends, funds which governments and businesses borrow, and intracorporate monkey business — that is the parent company charging the subsidiary company for management, advertising, administrative services, etc.

In 1988 that is something like 27 billion dollars leaving the country every hour. What does that do? It creates a current account balance of pay deficits current. Canada has had a current account deficit with the U.S. for the 35 of the last 40 years. About 37 billion dollars.

**Gateway:** What does a current account balance mean to someone reading *The Gateway*?

How much money goes out of Canada to pay for investment? — Is that worth considering?

**Hurtig:** When you have a current account deficit you have to have higher interest rates, and higher interest rates discourage domestic investment, which in turn discourages job creation. Foreign investment brings costs as well as benefits.

Canada has five times as much foreign ownership on a per capita basis than all of the other developed nations in the world — eight times as much as Italy, six times as much as France.

**Gateway:** Would water be considered a natural resource under this agreement, and what would Americans' increasing need for fresh water mean in free trade terms?

**Hurtig:** Simon Reisman, one of our best here who was appointed our trade ambassador, in his speech he gave to the Ontario Economics Council, said our bargaining position is going to be so weak that we are probably going to have to put the export of fresh water on the table. Now we didn't do that, but by my own feeling and those of my colleagues is that if we sign this agreement, we will be in such a position that down the road if the Americans ask for exports of Canadian fresh water we will have no alternative than to say yes. The present government is quite correct when they say that water is not a part of the deal per se, nor is it being excluded from being a part of future deals.

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**Gateway:** You said in your last press release "Either Premiers Bourassa and Getty were being lied to by the federal government (about this agreement) or they were not being honest with their citizens and fellow Canadians."

This is a very strong accusation. Why would either the Prime Minister or the Premiers lie?

**Hurtig:** Essentially it is an end run by big business in Canada, by a very small group of people — some 200 large Canadian companies who think there is far too much government in Canada. They also think we have far too many social programs in Canada, that our tax rates are too high, and that it is better to do things the way the Reagan administration is doing things.

**Gateway:** Why do you base so much of your opposition to Free Trade on economic and counter statistical strategies, when the real heartfelt issue with you, The Council of Canadians, and other Canadians on your side of the debate is the issue of sovereignty and national identity?

**Hurtig:** My chief concern is jobs, peoples' standard of living and their ability to have a decent living and that is why I concentrate those areas. With free trade there are going to be fewer jobs in Canada, poorer quality jobs in Canada, a lot less investment in the future.

**Gateway:** Don't you also say that because of greater investment from foreign owned companies Canada will be more foreign controlled? Is that not a contradiction to what you just said?

**Hurtig:** No. First of all, in my major document I say that big investments will take place in the Southern sunbelt. For example, Texas, the third most populous state in the United States, has a minimum wage law set at \$1.40 per hour. Eight American states have no minimum wage law at all, and there are another 20 states that have a minimum wage law less than \$3.00 per hour. Where is the new investment going to take place?

future from small businesses, large businesses, medium-sized businesses, but not where the orders come from another country.

**Gateway:** You say that small businesses that have created most of the new jobs in Canada will be the most vulnerable should this agreement proceed. How do you support this claim?

**Hurtig:** The likelihood is that, based on what has happened in the past, Americans will come in, expand their assets in Canada, gain control over a segment of the market, and then retrace in the United States.

This is one of the reasons why you have the huge job losses.

More and more you will get the General Electric small appliance plant servicing the Canadian market from their existing production capacity. More and more American companies using their tail end of their production.

The name of the game is to control the market. Why they would maintain production here, continue investment and employment here, do any research and development here, and why would they compete for export markets with their parent companies? Nobody has ever explained that to me.

Most likely they would tend to service the Canadian market from the United States after buying up their competitors in Canada. If you look at Canada Investment Reports and look at the lists of businesses that are being taken over on a daily basis, it is staggering — 2200 companies since Brian Mulrooney became PM.

There have been something like 50 billion dollars worth of takeovers but only 3 billion dollars worth of investments. Now that's clearly not being "open for business." That's being up for sale.

If your idea is to just let the market work, then you will get minimum wage laws for \$1.40 an hour — and I don't believe in that.

I'm not a believer in government institutions, but I am a believer in a mixed economy.

raise in the Canadian dollar.

Oil and natural gas will be higher priced in the future.

Of course there will be some consumer benefits, but remember the BMW's and the Sonys will still cost the same or more.

Most of any foreign goods coming across the border will still be charged duty. And one also has to keep in mind that the exchange value of the Canadian dollar has a much greater effect than the few remaining tariffs do to the consumer.

**Gateway:** In exactly what ways do you think that the Americans will be able to effect the price of oil in Canada with this agreement?

**Hurtig:** There are really two questions: high and low prices. According to my analysis of the agreement we are not going to be able to have higher or lower prices. We are not going to have lower prices because legally under the free trade agreement the Americans won't tolerate it. That's what my information from Washington tells me. Remember Mr. Getty keeps saying we can have lower oil prices, and I'm saying that we can't.

On the question of higher prices there is a huge irony. The U.S. has been debating for a year to put import tax on oil for two reasons. One is to discourage the use of oil, to make it more expensive, just the way they reduced the speed limit at one time. Second, the U.S. has a huge international trade deficit and this money would go straight into Washington coffers.

Stop and think. A US import tax. Then the US price goes up. With deregulation and no import-export controls and with Canada exempted, who would producers in Canada sell to? The incredible irony is that if the U.S. government puts on an oil export tax to add to the U.S. federal revenue 1) the price of oil to Canadian consumers will go up to the same prices in the U.S. and 2) most of the windfall (over 80 percent) will go to non-Canadian petroleum companies in Canada! It's an absurd situation.

