



Minister for  
International Trade

Ministre du  
Commerce extérieur

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# STATEMENT DISCOURS

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Address by  
the Honourable Pat Carney,  
Minister for International Trade,  
to the Young Presidents' Organization

VANCOUVER

October 9, 1987

OTTAWA

October 19, 1987.

Canada

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IT IS A PLEASURE TO BE WITH YOU TODAY AND WELCOME YOU TO MY OWN RIDING OF VANCOUVER CENTRE. ONE OF THE DIFFERENCES BETWEEN THE CANADIAN AND AMERICAN SYSTEMS OF GOVERNMENT IS THAT HERE, CABINET MINISTERS GET ELECTED FIRST AND BECOME MINISTERS SECOND.

SO, AS THE MEMBER OF PARLIAMENT FOR VANCOUVER CENTRE RATHER THAN THE MINISTER FOR INTERNATIONAL TRADE, LET ME SAY HOW DELIGHTED I AM THAT YOUR ORGANIZATION CHOSE VANCOUVER FOR YOUR MEETING.

ON BEHALF OF MY CONSTITUENTS, I HOPE YOU HAVE BEEN ENJOYING YOUR STAY IN, IF I DO SAY SO, NORTH AMERICA'S MOST BEAUTIFUL CITY.

YOU COULDN'T HAVE PICKED A MORE EXCITING TIME FOR YOUR VISIT AS OUR TWO NATIONS EMBARK ON AN HISTORIC VOYAGE TOWARDS THE LARGEST FREE TRADE DEAL EVER PUT TOGETHER BETWEEN TWO NATIONS.

OUR ECONOMY IN CANADA IS DEPENDENT ON TRADE TO A GREATER DEGREE THAN ALMOST ANY OTHER COUNTRY. TODAY WE EXPORT ABOUT ONE-THIRD OF ALL WE PRODUCE AND WE IMPORT ABOUT 30 PER CENT OF WHAT WE CONSUME. GROWTH IN TRADE TRANSLATES INTO GROWTH IN ECONOMIC WEALTH. FOR THE FIRST FORTY YEARS SINCE THE POST-WAR WORLD FIRST ADOPTED THE INTERNATIONAL RULES OF THE GENERAL AGREEMENT ON TARIFS AND TRADE, CANADA'S EXPORTS HAVE MULTIPLIED 10 TIMES OVER AND OUR NATIONAL WEALTH HAS MORE THAN TRIPLED.

OUR TRADE WITH EACH OTHER - BY FAR THE LARGEST IN THE WORLD - PROVIDES PAY CHEQUES FOR 2-MILLION WORKERS IN EACH OF OUR COUNTRIES.

THAT TRADE BRINGS PROSPERITY IS NOTHING NEW. FROM THE EARLIEST DAYS OF MANKIND, FROM THE ERA OF BARTER SYSTEMS THROUGH TO THE DEVELOPMENT OF THE FIRST GREAT TRADE ROUTES, TRADE HAS BEEN THE GENERATOR OF GROWTH.

CITIES SPRANG UP WHERE TRADERS MET TO EXCHANGE GOODS AND ALL THE WORLD'S GREAT CITIES HAVE THEIR ORIGINS IN TRADE.

TRADERS DISCOVERED AND DEVELOPED THE CONTINENT WE SHARE.

HISTORY IS DOMINATED BY TRADE WARS AND THEIR IMPACT ON THE DEVELOPMENT AND DECLINE OF REGIONS.

TRADE HAS DETERMINED THE FUTURE OF NATIONS AND TRADE WILL DETERMINE THE FUTURE OF CANADA AND THE UNITED STATES.

THAT IS PRECISELY WHY WE INITIATED THESE NEGOTIATIONS WITH THE UNITED STATES: TO ENHANCE THE LARGEST TWO WAY TRADE IN THE WORLD WHILE, AT THE SAME TIME, MAINTAINING OUR ABILITY TO SELF DETERMINATION....TO MAKE OUR OWN DECISIONS ON HOW WE WILL LIVE AS CANADIANS.

IT HAS BEEN SAID THAT GEOGRAPHY MAKES US NEIGHBOURS AND HISTORY MAKES US ALLIES. THAT IS AS TRUE AS IT IS SIMPLE. BUT THAT DOES NOT MEAN WE ARE THE SAME.

FOR US IN CANADA, THE INTERDEPENDENCE WITH THE UNITED STATES THAT HISTORY AND GEOGRAPHY HAVE BROUGHT ABOUT, BRINGS ENORMOUS BENEFITS IN BOTH ECONOMIC AND SECURITY TERMS.

FOR CANADA, THE ART OF THE POSSIBLE HAS ALWAYS LAIN IN OUR ABILITY TO DECIDE FOR OURSELVES HOW OUR DISTINCT SOCIETY WILL EXIST BESIDE ONE 10 TIMES OUR SIZE.

WE HAVE NOT ENTERED THE FREE TRADE NEGOTIATIONS JUST TO GET THE BEST POSSIBLE ECONOMIC BARGAIN. IF THAT HAD BEEN THE GOAL, WE WOULD HAVE JOINED THE UNITED STATES YEARS AGO.

INSTEAD WE HAVE CONDUCTED THESE NEGOTIATIONS WITH A STRONG SENSE OF THE REQUIREMENTS FOR OUR POLITICAL AND ECONOMIC SELF-DETERMINATION.

PRIME MINISTER BRIAN MULRONEY GAVE THOSE COMMITMENTS TO THE CANADIAN PEOPLE AT THE VERY OUTSET OF THIS INITIATIVE. THEY WERE WELL DEFINED:

- POLITICAL SOVEREIGNTY;
- SOCIAL PROGRAMS;
- COMMITMENT TO FIGHT REGIONAL DISPARITIES;
- UNIQUE CULTURAL IDENTITY;
- AGRICULTURAL MARKETING SYSTEMS.

WE HAVE DELIVERED ON THOSE COMMITMENTS. THE AGREEMENT IN PRINCIPLE WE INITIALLED IN WASHINGTON LAST WEEKEND MAKES THAT ABUNDANTLY CLEAR.

THAT AGREEMENT SHOWS THE WORLD THAT, WITH POLITICAL WILL, THE RISING TIDE OF PROTECTIONISM CAN BE REVERSED. THIS AGREEMENT MAY WELL ESTABLISH A PATTERN FOR THE CURRENT INTERNATIONAL TRADE NEGOTIATIONS IN GENEVA IN PREVIOUSLY UNCHARTED AREAS SUCH AS TRADE IN SERVICES, INVESTMENT AND AGRICULTURE.

LET ME OUTLINE FOR YOU SOME OF THE HIGHLIGHTS OF THE MOST COMPREHENSIVE FREE TRADE AGREEMENT EVER NEGOTIATED BETWEEN TWO COUNTRIES. WE HAVE AGREED TO:

- PHASE OUT ALL TARIFFS BETWEEN US WITHIN TEN YEARS;
- ELIMINATE MOST TECHNICAL AND HEALTH STANDARDS WHICH HAVE OFTEN BEEN USED AS NON-TARIFF BARRIERS AT THE BORDER;
- SET RULES FOR TRADE IN SERVICES -- UNPRECEDENTED IN INTERNATIONAL TRADE LAW;
- PROVIDE GREATER ACCESS TO EACH COUNTRY FOR INVESTORS;
- SECURE MARKETS FOR CANADIAN ENERGY SUCH AS BRITISH COLUMBIA NATURAL GAS, ALBERTA OIL, SASKATCHEWAN URANIUM AND QUEBEC HYDRO POWER; AND PROVIDE SECURITY OF ENERGY SUPPLY FOR AMERICA;
- GIVE AGRICULTURAL PRODUCERS NEW MARKETS ACROSS THE BORDER;
- IMPROVE THE POTENTIAL OF THE CANADIAN AND U.S. AUTO INDUSTRY;
- EXPAND THE OPPORTUNITIES TO COMPETE FOR GOVERNMENT PURCHASES IN THE OTHER COUNTRY;

- CREATE EFFECTIVE PROCEDURES AND INSTITUTIONS FOR THE JOINT ADMINISTRATION OF THE AGREEMENT AND THE BINDING RESOLUTION OF DISPUTES OVER THE APPLICATION OF COUNTER-VAULT AND ANTI-DUMPING ACTIONS; AND
- LAY THE FOUNDATION FOR FURTHER COOPERATION TO EXPAND AND ENHANCE THE BENEFITS OF THE AGREEMENT.

AS PRIME MINISTER BRIAN MULRONEY SAID IN ANNOUNCING THE AGREEMENT TO THE HOUSE OF COMMONS ON MONDAY, "WHILE NOT PERFECT, THE TRADE AGREEMENT MEETS OUR REQUIREMENTS AND ALL OUR FUNDAMENTAL OBJECTIVES."

SO WHAT ARE THE IMPLICATIONS OF ALL THAT FOR CANADIANS?

1. THERE WILL BE LOWER PRICES FOR CONSUMERS AS TARIFFS COME DOWN. SMUGGLING CONSUMER GOODS ACROSS THE BORDER FROM BELLINGHAM MAY WELL BECOME A THING OF THE PAST FOR WEEKENDING VANCOUVERITES BECAUSE THEY'LL BE ABLE TO GET IT JUST AS CHEAPLY HERE.
2. WE WILL BE EXPORTING GOODS AND SERVICES TO THE UNITED STATES, NOT JOBS. CANADIANS LIKELY TO INVEST SOUTH OF THE BORDER TO GET BEHIND THE PROTECTIONIST WALL WILL BE MORE LIKELY TO INVEST IN CANADA. AS DAVID CULVER, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF ALCAN, SAID THE OTHER DAY: "WE DON'T HAVE TO SAY TO OURSELVES PERHAPS WE BETTER BUILD THE PLANT IN THE U.S. IN ORDER TO BE SURE WE'RE INSIDE THE BARRIERS....WE CAN NOW INVEST IN A BIGGER PLANT IN CANADA, SECURE IN THE KNOWLEDGE THAT THE PLANT WILL HAVE ACCESS TO THE U.S. MARKET." MULTIPLY THAT MANY TIMES AND THE RESULT IS MORE JOBS IN CANADA.
3. WITHOUT RESTRICTION ON INVESTMENT IN THE U.S., CANADIANS ARE LIKELY TO INVEST THERE AS PART OF A STRATEGY FOR PENETRATING THE AMERICAN MARKET THROUGH, PERHAPS, BUYING A RETAIL CHAIN TO PROVIDE OUTLETS FOR CANADIAN GOODS.

4. FOREIGNERS ARE MORE LIKELY TO INVEST IN BOTH COUNTRIES AS THEY LOOK FOR CHEAPER ACCESS TO AN EXPANDED CANADA-U.S. MARKET. ACCORDING TO JUST ABOUT EVERY ECONOMIST, THIS TRANSLATES TO MORE JOBS.
5. THE CANADIAN ECONOMY WILL BECOME MORE SPECIALIZED, MORE EFFICIENT AND MORE PRODUCTIVE. THAT'S EXACTLY WHAT HAPPENED TO BOTH COUNTRIES' AUTO INDUSTRIES WITH FREE TRADE UNDER THE AUTO PACT. OUR ENTREPRENEURS WHO COMPETE SUCCESSFULLY IN THE U.S. WILL CREATE WORLD CLASS FIRMS THAT WILL LET THEM TO COMPETE ANYWHERE IN THE WORLD.

PARADOXICALLY IN THE LONG TERM, FREE TRADE WITH THE UNITED STATES SHOULD DIMINISH OUR DEPENDENCE ON THAT MARKET.

6. AS CANADIAN FIRMS ADJUST AND SPECIALIZE IN MARKET NICHEs, THEY WILL MOVE NECESSARILY TO THE FRONTIER OF TECHNOLOGY TO BE SUCCESSFUL. OUR SOCIETY WILL BECOME LESS PROVINCIAL AND MORE OUTWARD LOOKING.
7. THE AGREEMENT ACCEPTS THE PRINCIPLE OF A SPECIAL RELATIONSHIP BETWEEN OUR TWO COUNTRIES. WE ARE NOT KOREA AND WE ARE NOT JAPAN. WE ARE NOT PART OF THE AMERICAN TRADE DEFICIT PROBLEM, WE ARE PART OF THE SOLUTION. WE ARE MORE THAN JUST ANOTHER TRADING PARTNER AND OUR RELATIONSHIP REQUIRES SPECIAL TREATMENT. THAT, OF COURSE, WORKS BOTH WAYS WITH SECURE U.S. ACCESS TO A MARKET THE SIZE OF CALIFORNIA.

THAT TREATMENT DOES NOT AND SHOULD NOT GIVE US A LICENSE TO POACH. WE DON'T WANT TO TRADE UNFAIRLY WITH THE UNITED STATES ANY MORE THAN WE WANT THEM TO TRADE UNFAIRLY WITH US. AND I AM SURE AMERICANS SHARE THAT VIEW.

BUT WE DO NEED AN IMPARTIAL AND BINDING METHOD OF DETERMINING WHETHER THE APPLICATION OF TRADE REMEDY LAWS ARE FAIR AND JUST.

LET ME GIVE YOU A CONCRETE EXAMPLE OF WHAT I AM TALKING ABOUT.

IN 1983, AMERICAN SOFTWOOD LUMBER PRODUCERS LAUNCHED A COUNTERVAILING ACTION AGAINST OUR INDUSTRY. THEY CHARGED THAT OUR PROVINCIAL SYSTEM OF COLLECTING STUMPAGE FEES FOR TREES CUT ON PUBLICLY-OWNED LAND WAS AN UNFAIR SUBSIDY. THIS COMPLAINT WAS REJECTED BY THE U.S. INTERNATIONAL TRADE COMMISSION.

TWO YEARS LATER, WITH NO CHANGE IN AMERICAN LAW AND NO CHANGE IN CANADIAN PRACTICE, THE COMMISSION REVERSED THIS DECISION. ONLY ONE THING HAD CHANGED IN THOSE TWO YEARS -- POLITICAL PRESSURE.

NO LESS THAN SIX BILLS WERE INTRODUCED IN CONGRESS. THE AMERICAN INDUSTRY LAUNCHED AN INTENSIVE LOBBY CAMPAIGN. AND THE ITC REVERSED ITS DECISION, COSTING OUR INDUSTRY 600-MILLION DOLLARS A YEAR.

I MIGHT SAY, AS IN MOST PROTECTIONIST ACTIONS, THE REAL LOSERS WERE THE CONSUMERS, IN THIS CASE AMERICAN CONSUMERS. A RECENT HARVARD UNIVERSITY STUDY OF THAT ISSUE CONCLUDES THAT THE U.S. ECONOMY SUFFERED A NET LOSS OF 140-MILLION DOLLARS A YEAR SINCE A 410-MILLION DOLLAR GAIN FOR THE AMERICAN LUMBER INDUSTRY IS MORE THAN OFFSET BY A 550-MILLION DOLLAR ANNUAL BURDEN ON LUMBER CONSUMERS -- MOSTLY HOME BUYERS.

ON THE CANADIAN SIDE, BECAUSE WE NEGOTIATED WITH THE U.S. TO IMPOSE AN EXPORT TAX RATHER THAN PAY THE COUNTER-VAILING DUTIES, THE STUDY REPORTED A NET GAIN OF 120-MILLION DOLLARS ANNUALLY.

THAT KIND OF POLITICALLY INSPIRED PROTECTIONISM AND MISUSE OF TRADE REMEDY LAWS MUST BE ENDED. IN THIS AGREEMENT WE HAVE FOUND A WAY TO DO THAT WITH A UNIQUE DISPUTE SETTLEMENT SYSTEM. IT IS EXTREMELY IMPORTANT AND GREATLY MISUNDERSTOOD SO I WOULD LIKE TO TAKE SOME TIME TO EXPLAIN THESE SYSTEMS.

FIRST, IF CONGRESS WANTS TO CHANGE ITS ANTI-DUMPING OR COUNTERVAIL LAWS AFTER THE AGREEMENT COMES INTO FORCE, IT MUST SPECIFY THAT THOSE CHANGES APPLY TO CANADA. OTHERWISE CANADA WILL BE EXEMPTED. NO OTHER COUNTRY HAS THAT RIGHT.

SECOND, IF CANADA DOES NOT LIKE THOSE CHANGES WE CAN TEST THEM AGAINST THE GATT CODES AND THE OBJECT AND PURPOSE OF THE AGREEMENT, WHICH IS "TO ESTABLISH FAIR AND PREDICTABLE CONDITIONS FOR THE PROGRESSIVE LIBERALIZATION OF TRADE BETWEEN THE TWO COUNTRIES WHILE MAINTAINING EFFECTIVE DISCIPLINES ON UNFAIR TRADE PRACTICES."

THAT SHOULD HAVE A DISCIPLINING EFFECT ON CONGRESS AND ON PARLIAMENT.

IN SPECIFIC ANTI-DUMPING AND COUNTERVAILLING DUTY CASES, WE BOTH WILL HAVE BINDING DISPUTE SETTLEMENT. THAT IS A MAJOR ACHIEVEMENT AND SHOULD ENSURE THAT NATIONAL INVESTIGATING AUTHORITIES ACT CORRECTLY. NO OTHER COUNTRY HAS THAT RIGHT.

SOME PEOPLE HAVE ALLEGED THAT THIS MAY NOT PROVIDE MUCH PROTECTION FOR CANADA.

HOWEVER, WE BELIEVE THE IMPARTIAL BINATIONAL PANEL WILL DISCIPLINE THE AGENCY CONDUCTING THE INVESTIGATION.

THIRD, WE HAVE BINDING ARBITRATION FOR SAFEGUARDS CASES. THOSE ARE CASES LIKE THE SHAKES AND SHINGLES DECISION THAT WE ENCOUNTERED A YEAR AGO.

FOURTH, THE AGREEMENT ESTABLISHES A VERY IMPORTANT CONSULTATIVE BODY, THE CANADA-UNITED STATES TRADE COMMISSION. IT WILL PROVIDE PROMPT POLITICAL DISCUSSION OF PROBLEMS ARISING UNDER THE AGREEMENT.

FIFTH, WE HAVE ADDITIONAL BINDING ARBITRATION RIGHTS ON VIRTUALLY ALL OTHER ASPECTS OF THE AGREEMENT IF THE CANADA-UNITED STATES TRADE COMMISSION SO DECIDES.

SIXTH, WE HAVE ANOTHER DISPUTE SETTLEMENT MECHANISM WHICH GIVES CERTAIN RIGHTS TO CANADA IF THE U.S. DOES NOT COMPLY WITH A PANEL REPORT.

SEVENTH, WE WILL ESTABLISH A NEW REGIME TO GOVERN NORTH AMERICAN TRADE REMEDY LAW. THIS WILL ALLOW CANADA AND THE U.S. TO SEEK MORE RADICAL CHANGES TO THE UNFAIR TRADE PRACTICE LAWS.

DURING THIS NEGOTIATION CANADA WILL BE ABLE TO ADDRESS ITS CONCERNS WITH THE U.S. ANTI-DUMPING AND COUNTERVAILLING DUTY LAWS.

AND THE UNITED STATES WILL, OF COURSE, HAVE THE SAME RIGHT SINCE WE WIN MORE ANTI-DUMPING CASES THAN THEY DO.

ALL OF THIS CAN ONLY PROVIDE BETTER CERTAINTY AND SECURITY OF ACCESS TO THE U.S. MARKET FOR CANADIAN EXPORTERS. THAT IS PRECISELY WHAT BOTH GOVERNMENTS SET OUT TO ACHIEVE.

WE HAVE, IN THESE NEGOTIATIONS, MET OUR GOALS AND FULFILLED OUR OBJECTIVES. WE ARE WELL ON THE WAY TO DELIVERING WHAT WE PROMISED IN THE 1984 ELECTION WHEN WE SAID ONE OF OUR GOALS WAS TO "ELIMINATE STRUCTURAL BARRIERS TO TRADE AND OPPOSE GLOBAL PROTECTIONISM."

WE ALSO PROMISED IN THAT CAMPAIGN TO "STRENGTHEN OUR DOMESTIC ECONOMY THROUGH MORE AGGRESSIVE PURSUIT OF EXPORT OPPORTUNITIES BY MAKING EXPORTS THE NUMBER ONE PRIORITY OF OUR INTERNATIONAL RELATIONS WHILE SUPPORTING THE ADJUSTMENTS NECESSARY AT HOME TO IMPROVE BOTH PRODUCTIVITY AND COMPETITIVENESS."

THERE ARE THOSE IN CANADA WHO OPPOSE THIS AGREEMENT -- MUCH OF IT OF THE "NO TRUCK OR TRADE WITH - THIS AUDIENCE WILL PARDON THE EXPRESSION - THE YANKEES."

THAT WAS THE SLOGAN OF THE ANTI-FREE TRADERS 75 YEARS AGO. AND THOSE WHO ECHO IT NOW ARE, TO QUOTE MARSHALL MCLUHAN, MARCHING BACKWARD INTO THE FUTURE.

PRIME MINISTER BRIAN MULRONEY AND PRESIDENT REAGAN WOULD NOT HAVE EMBARKED ON THIS VISIONARY COURSE FOR BOTH OUR COUNTRIES IF WE, AS GOVERNMENTS, DID NOT HAVE CONFIDENCE IN OUR PEOPLES' ABILITIES AND THEIR FAITH IN THEMSELVES.

WE BELIEVE THE DEAL IS A FAIR AND BALANCED ONE FOR BOTH COUNTRIES.

WE BELIEVE IT WILL CREATE IMPROVED PROSPECTS FOR PRODUCTION, EMPLOYMENT AND TRADE IN BOTH COUNTRIES.

THIS AGREEMENT REFLECTS THE CONFIDENCE AND DETERMINATION OF THOSE WHO HAVE A VISION OF A BIG CANADA: BIG IN PROSPECTS, BIG IN OPPORTUNITIES, BIG IN COMPETITIVENESS, PRODUCTIVITY INCREASES, RESEARCH AND DEVELOPMENT.

THOSE ON THE OTHER SIDE SPOUT THE CLICHES OF OUTMODED PROTECTIONISM. PROTECTIONISM IS FOR PEOPLE WHO HAVE A SMALL VISION OF CANADA. THEY ARE DOMINATED BY FEAR. THEY HAVE NEITHER CONFIDENCE IN THEMSELVES NOR A VISION FOR CANADA.

THEY EVEN DOUBT THEIR CAPACITY TO BE CANADIAN WITHOUT AN ARTIFICIAL WALL AROUND THEM.

THE DEBATE HERE IS ABOUT TWO VIEWS OF CANADA. ONE IS THE VIEW THAT WE SHOULD PROTECT OURSELVES FROM A TOO COMPETITIVE WORLD BY USING THE STATE TO PROP UP THE INEFFICIENT AND THE UNCOMPETITIVE.

THE OTHER - THE ONE MY PRIME MINISTER, MY GOVERNMENT, AND I, BELIEVE IN - IS OF CONFIDENCE IN OUR ABILITY TO COMPETE IN THE WORLD AS AN OUTWARD LOOKING NATION READY TO TAKE ADVANTAGE OF GLOBAL OPPORTUNITIES.

I FIRMLY BELIEVE THAT, GIVEN THAT CHOICE, CANADIANS WILL CHOOSE OUR VISION OF THE FUTURE. AND I TRUST THAT YOU, AS LEADERS OF AMERICAN INDUSTRY, WILL ALSO LOOK OUTWARD. PROTECTIONISM LEADS TO DEPRESSION. WE ALL MUST UNITE AGAINST THAT.

THANK YOU.