

Statement
Minister for
International
Trade



Discours
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NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

TO THE NATIONAL CITIZENS COALITION

TORONTO, ONTARIO

October 18, 1988.

Ladies and Gentlemen,

I am pleased to receive this award for my work toward making Free Trade between Canada and the United States a reality. I have worked along with my colleagues in Cabinet for more than three years toward this goal.

Let me outline for you ten of the major benefits of the Free Trade Agreement:

- (1) Increased and more secure access to our major export market in the U.S., that accounts for almost 80% of Canada's overall exports.
- (2) All Tariffs will be eliminated on trade with the U.S. by 1998 (Article 401), helping Canadian exporters sell into the U.S. and reducing prices for Canadian consumers.
- (3) This will mean greater opportunity for further resource processing in Canada; for example, the current tariff of up to 25% on processed fish exports will be eliminated opening up new jobs for value added in places like Newfoundland.
- (4) The FTA establishes free access for Canadian red meat exports and removes the threat of quotas (Article 704). Australia and New Zealand recently agreed to restrict beef exports to the U.S., faced with the threat of U.S. quotas.
- (5) It will be much easier for temporary entry for Canadian business people and service personnel (Article 1502); this is especially important for small and medium sized businesses, including those in the service industries
- (6) Canadian businesses gain access to an additional \$3 billion in U.S. federal procurement contracts (Article 1304)
- (7) The Free Trade Agreement greatly limits the threat of quantitative restrictions and the U.S.'s ability to use these to force Canada to adopt "voluntary" export restraints, such as for steel (Article 407).
- (8) The U.S. will give Canadian energy products secure access to the U.S. market; this is important for oil and gas, electricity and uranium (Articles 902 and 905).

- (9) Canada will no longer be hit by U.S. global safeguard actions aimed at others (Article 1102).
- (10) The dispute settlement procedure will protect against politically inspired misuse of U.S. trade laws, to prevent the repetition of decisions like that on softwood lumber (Chapter 19).
- (11) The Free Trade Agreement helps fishermen, farmers, mineral and metal producers, forest products workers, energy producers, manufacturers, those employed in service industries, and other. The FTA will build exports and increase prosperity in all regions of Canada.

Of course, the Free Trade Agreement is not yet in place, but I am confident that in the electoral contest now underway, Canadians will support the government, in part because of Free Trade.

I say in part because, of course, the government will be judged by the electorate on the whole of its record. As Benjamin Disraeli said, "all power is a trust; we are accountable for its exercise". I am confident that we will receive the renewed support of the Canadian people because I believe that we can give a good accounting of strong leadership and important achievements.

This government has demonstrated good stewardship of the nation's resources. We have:

- reduced the federal deficit for four consecutive years,
- achieved the highest level of economic growth of any major OECD country,
- reduced rates of federal income tax,
- instituted major regulatory reforms, including energy, transportation and financial services,
- increased funding for regional development and created two new agencies, one in Atlantic Canada and one in the West, to more effectively use that funding, and
- achieved progress in environmental protection, including tough new legislation, major reductions of emissions causing acid rain and an accelerated phase-out for leaded gasoline.

The government has been acutely aware of the need to adapt to changing circumstances, nationally and internationally. A few examples are:

- negotiation of the Free Trade Agreement and a strong role in the Multilateral Trade Negotiations,
- increased support for research and development,
- initiatives toward native self-government, and
- increasing the participation and progress of women in the public service, including expanded roles in the Canadian Armed Forces.

This government has given high priority to re-building national unity, including:

- a greatly improved climate of federal-provincial relations,
- strong support for official bilingualism including the amendments to strengthen the Official Languages Act, and
- major constitutional reforms through the Meech Lake Accord, which brought Quebec into agreement on the Constitution.

This government has been active in building on our traditional roles in collective defence, peace-keeping and international co-operation. We have:

- re-equipped our armed forces so that they can once more play a credible role in NATO and in protecting Canada's sovereignty,
- made a major contribution to peace-keeping, particularly in the ceasefire between Iran and Iraq,
- taken an activist role in the work of the United Nations, the Commonwealth and the Francophonie; and
- achieved new prominence and influence for Canada in major international economic institutions, like the "G-7", the Economic Summit and the International Monetary Fund (e.g. in relieving Third World debt).

This government has been active, as well, on issues of social and cultural development. Examples include:

- the \$5.4 billion child care initiative,

- assistance to low and middle income Canadians through tax reform,
- the \$110 million federal literacy initiative,
- reform of the Divorce Act and assistance in enforcing support orders through a national registry, through legislation I introduced as Minister of Justice,
- extension of Canada Pension Plan Benefits to over 85,000 widows and widowers,
- federal funding for housing for senior citizens,
- initiatives for youth, such as the \$56.5 million Canada-Newfoundland Youth Strategy announced last week by the Prime Minister, to assist young people in making a successful transition from school to work,
- the passage of a national Multiculturalism Act and the establishment of a separate Department of Multiculturalism, and
- support for Canadian films and television programming under the Film and Video Policy and the new Broadcasting Policy.

It has been a balanced agenda, responsive to the needs and aspirations of Canadians throughout the nation. With the marked improvement in the government's finances, continued economic growth and an improved international competitive position, we will increase ability to commit resources in a renewed mandate to social and cultural development, as well as to regional initiatives.

That is one of the reasons why I take such strong exception to the baseless charges about social programs, regional development and Canada's sovereignty levelled against the Free Trade Agreement by the two Opposition leaders. John Turner and Ed Broadbent seem to be vying with one another to see who can make the most alarmist allegations about Free Trade. I wouldn't blame Canadians for being concerned by what Messrs. Turner and Broadbent are saying, if there was any truth to it. But there is not.

John Turner has said that social programs are threatened by the Free Trade Agreement. He is wrong. They aren't even covered by the Agreement.

John Turner says that more open competition with the U.S. will force us to cut back on social services to keep businesses in Canada competitive with those in the U.S. He is wrong again. Since 1947, there has been:

- a significant reduction in trade barriers between Canada and the U.S.;
- an increase (in real terms) of more than 1200% in Canada's merchandise exports to the U.S.; and
- the establishment and maintenance of Canada's network of social programs.

Thus, more open competition with the U.S. over the past 40 years has given rise to increased prosperity in Canada. That increased prosperity, arising from more open competition, has been critical as a source of government revenue to support social programs.

And, even if the raising of revenue to support social programs made the general cost of doing business in Canada higher than in the U.S., this would simply work its way out through a compensating change in the exchange rate.

John Turner says that the Americans will seek to eliminate Canada's social programs in the negotiations over five to seven years on subsidies and the rules of countervail. Here's what my American counterpart, Clayton Yeutter, said on May 1, 1988:

"[The question of subsidies and social programs] has never arisen in our conversations here, never, and I don't see that happening in the future ... What we will have to do on subsidies must fit within the parameters of what people will agree to on an international basis."

Mr. Yeutter was probably referring to the GATT Subsidies Code, under which it is clear that our social programs are not countervailable. And, if the Americans were to suggest at some time over the next five to seven years some distorted approach to these issues, we would say no. It's that simple.

Ed Broadbent says that Canada's public health care system will be threatened by American-style corporate hospitals. He is wrong.

Chapter 14 of the Free Trade Agreement deals with services. It lists services that are covered by the obligations in the Agreement. If the service is not on the list, then it is not covered. Neither our publicly provided health care system, nor other services provided by government is covered. (For that matter, privately provided health care is not on the list either.)

The services chapter of the Free Trade Agreement does cover commercially-provided health care management services.

There is no obligation under the Free Trade Agreement for governments in Canada to permit any such commercially-provided management of health care services, for example, contracting for a private company to manage purchasing for a hospital. Even if a provincial government did decide to do so, there is nothing to prevent future provincial governments from reversing such a decision at any time. The point is, there is no obligation to do so in the Free Trade Agreement.

It is up to Canadians to decide what social programs they want and a Progressive Conservative government will maintain, strengthen and expand social programs for all Canadians. That's why we introduced Child Care legislation.

The real threat to social programs and to regional development assistance is not from the Free Trade Agreement, but rather from the kind of mismanagement of government finances that the Liberals were so guilty of. If the federal deficit had not been brought under control by this government, Canada's financial ability to sustain these programs would be undercut by our obligations to service a mushrooming public debt. This government has managed the nation's finances so that not only have we maintained these programs, but we have been able to add to them, as we have with Child Care and the Atlantic Canada Opportunities Agency.

John Turner says that regional development assistance will be lost because of the Free Trade Agreement. He is wrong. It isn't even covered in the Agreement.

John Turner has said, as he also said about social programs, that the negotiations on subsidies and countervail will threaten regional development. He is wrong. Canada will continue to provide assistance for regional development under programs of general application. Such programs are not countervailable under the GATT rules. Again, if the Americans were to suggest at some time over the next five to seven years some distorted approach to these issues, we would simply say no.

This brings me to the issue of sovereignty. John Turner says that with the Free Trade Agreement we are on our way to becoming the 51st state. Ed Broadbent says we will be forced to become like Americans. These allegations have no basis beyond political opportunism.

To me, sovereignty has a practical test - the degree to which a country controls its destiny. Canada gains sovereignty through the Free Trade Agreement by being placed on an equal footing with the U.S. in applying a common set of rules for resolving trade disputes and by achieving greater opportunities for development as a rising economic power. That is the reality of sovereignty that I want to achieve for Canadians.

John Turner and Ed Broadbent should lay aside the politics of fear that they are now practising against the Free Trade Agreement and try explaining to Canadians how their trade policies would work better than those of this government. The problem is that they can't, because their so-called "alternatives" are no more than a combination of failed ideas and wishful thinking.

Essentially, both the Liberals and the NDP propose the three policies:

- first, tear up the Free Trade Agreement,
- second, seek sectoral trade agreements with the U.S., and
- third, rely on the GATT to resolve trade issues with the U.S.

If Canada tears up the Free Trade Agreement, it would:

- lose major improvements in access to the U.S. market;
- lose the advantages gained in dealing with other trading partners in the Multilateral Trade Negotiations (as we have already resolved major bilateral issues with the U.S. through the Free Trade Agreement); and
- make Canada more vulnerable to unilateral protectionist actions by the Americans.

The Opposition may dispute the benefits of the Free Trade Agreement, but in doing so they go against every major independent economic analysis, Canadian industry and exporters, as well as eight provincial Premiers. They believe that tearing up the Agreement would harm Canada.

The "alternative" of sectoral trade arrangements with the U.S. is no alternative at all.

Sectoral agreements are not consistent with the GATT. (Article XXIV of the GATT permits comprehensive free trade agreements, like that we have negotiated with the U.S., but not sectoral agreements.) Sectoral agreements could lead to retaliation by GATT members. Even if a waiver from other GATT members were obtainable, they would probably claim compensation for this.

But in any case, the prospect of achieving sectoral agreements with the U.S. is nil. The Trudeau government tried the sectoral approach in 1983-84 and it got nowhere. The reason is simple. The U.S. and Canada would pursue sectoral trade only where each saw an advantage for itself.

Gerald Regan, who pursued the sectoral trade initiative in Mr. Trudeau's government, has said it won't work. He is actively supporting the Free Trade Agreement.

As well, the industries proposed by John Turner and Ed Broadbent, including steel, forest products, uranium and petrochemicals, are not seeking sectoral agreements. These industries support the Free Trade Agreement because it is real and because they know it will work to their advantage.

As for greater reliance on the GATT to resolve trade issues with the U.S., the Free Trade Agreement has achieved results on an important range of issues that would not be practically possible to achieve under the Multilateral Trade Negotiations. The reason is simple. To achieve similar results would require an agreement not between Canada and the U.S., but among the 95 GATT members. The disparity of circumstances and the diversity of interests among these 95 countries limits what can be agreed upon. That is why the Multilateral Trade Negotiations cannot be expected to resolve trade issues with the U.S. anywhere near as comprehensively as the Free Trade Agreement.

While John Turner and Ed Broadbent can say they will set their sights higher in the Multilateral Trade Negotiations, that is no more than wishful thinking. Wishful thinking will not improve our bargaining position one iota. What will improve our bargaining position in the Multilateral Trade Negotiations is to put in place the Free Trade Agreement. Then, with major Canada-U.S. issues resolved, we can concentrate our efforts on issues involving Pacific Rim and European trading partners.

It is a pragmatic response to the need to improve our international competitive position by gaining more secure access to the huge U.S. market and to shield the more than two million Canadian jobs that depend on exports to the U.S. from on-going American protectionism.

Canada is a mature, dynamic, confident society. We can compete with the Americans and we can win. When Free Trade becomes a reality, all Canadians will have the opportunity to share directly and indirectly in the benefits.

I thank you for the award. (As you know, I will be donating the money to charity). And I thank you for your support for the Free Trade Agreement.