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STATEMENT

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NOTES FOR AN ADDRESS BY

THE HONOURABLE ROY MacLAREN,

MINISTER FOR INTERNATIONAL TRADE,

TO THE

CANADA-UNITED STATES BUSINESS ASSOCIATION

DETROIT, Michigan
September 16, 1994

Canada

I thank you for your invitation and for this opportunity to express my appreciation to the members of the Canada-United States Business Association. Your association has played an important role in nurturing a strong and dynamic relationship between Canada and Michigan. In any case, it is a relationship that Ambassador Blanchard, who had hoped to be here with us today, would not let me forget.

Although the Ambassador could not be with us, I am here today with a group of small and medium-sized companies from Ontario who are seeking for the first time to expand their business across the border to Michigan. They are here under a Canadian government program, sponsored jointly with the Government of Ontario, called "New Exporters to Border States" or "NEBS." The program encourages Canadian small and medium-sized enterprises to look beyond their local markets into markets across the border. I invite you to welcome them and to share with them your knowledge and experience of the Michigan market.

At the same time, I wish to convey my appreciation for the trade initiative shown by the Canadian participants on this mission. I hope that you meet with the success you deserve. Through your success, you contribute in no small way to job and wealth creation.

Job creation is a key objective of the Canadian government. It is widely recognized that in the current business cycle, small and medium-sized enterprises in general and exporting enterprises in particular are the most likely to create jobs. Our NEBS program is one of a growing number of measures we are taking to help smaller firms step beyond our border, starting with the United States of America.

While we are keen to expand and diversify our export markets globally, we know that succeeding in the U.S. market — the most demanding in the world — is the best possible training for exporting offshore.

The importance of our close relationship with the United States became particularly clear over the past year, as exports to the United States provided a major driving force behind our economic recovery.

At the same time, our increasing imports from the United States demonstrated that the recovery was well under way, providing a further boost to Canadian confidence about the future.

The health of our trading relationship is nowhere more evident than in autos and auto parts where our cross-border trade is, to put it mildly, robust. And nowhere is the impact of auto trade more evident than in Canada's trade with you. Michigan is the largest destination for Canadian exports. Michigan is the largest source of our imports among all States of the Union. In fact, Canada's exports to Michigan alone far exceed our exports to Japan.

In many ways, the Canada-Michigan relationship, dominated by trade in manufactured goods, is a model for free traders everywhere. The Auto Pact of several decades ago allowed both rationalization and specialization, resulting in a continental industry that is increasingly competitive globally.

The North American Free Trade Agreement [NAFTA] builds on that success. By providing much more open access to the growing Mexican market, along with improved rules of origin, NAFTA offers our industries an opportunity to improve their competitiveness.

Having said this, I am also well aware of the fact that the advantages of free trade among the three countries of the NAFTA and the need to remove further impediments to trilateral and multilateral trade are yet to be appreciated fully. Canadian success in the United States market gives rise at times to protectionist impulses from certain regional or sectoral interest groups who have used their influence on Congress and the Administration to deny U.S. consumers the benefits of competitively priced Canadian products and services.

It takes a strong commitment to free trade and its benefits to see beyond the short-term challenges that it can present. It takes constant reminders that the wealth and the high standard of living that we enjoy in both the United States and Canada are largely due to the liberal, rules-based trading system that we have developed since the GATT [General Agreement on Tariffs and Trade] was founded in 1947.

The world trading system, of course, took a quantum leap forward with the successful completion of the GATT's Uruguay Round in December 1993.

Not only are tariffs in general to be cut by an average of 40 per cent, but important new areas are to be brought under world trade rules: trade in services, intellectual property rights, agriculture and textiles.

A unified, effective global dispute settlement system will ensure that all nations, big and small, have greater access to a fair hearing when disputes arise.

And perhaps most important, we shall have a potent World Trade Organization [WTO] to help guide burgeoning trade and investment into the next century.

We shall have a more secure environment in which the increasingly interdependent global economy can grow and develop ... with benefits for all.

In the case of the United States, it is estimated that the Uruguay Round agreements will boost its economy by as much as $220 billion a year after 10 years, save consumers $35 billion and cut the federal deficit by more than $20 billion a year.

Legislation to implement the Uruguay Round results must be passed by a critical mass of participating governments before it can go into effect on January 1, 1995.

Given the vital importance of trade to the Canadian economy, I have been pressing hard for an early ratification of the Uruguay Round, initialled by more than 120 governments in Marrakech six months ago. So I was pleased to hear from my colleagues at a meeting in Los Angeles last weekend that the United States, Japan and the European Union, like Canada, are all committed to rapid and effective implementation of the Uruguay Round and to bringing the World Trade Organization into operation on January 1. For its part, Canada will move expeditiously on this matter.

However, in Canada, and no doubt in many other countries, we have been watching with concern the Congressional debate in the United States, particularly as one interest group after another tries to make the Congressional legislation hostage to its own agenda. In doing so, interest groups threaten some of the very achievements that were realized only after years of difficult negotiation.

For example, we are concerned about the implementing legislation with respect to changes to U.S. trade remedy law, particularly subsidies and countervail. In our many representations to U.S. officials, we have pointed out how some of the changes being considered will move U.S. trade law in trade-restrictive rather than trade-liberalizing directions, contrary to the intent of the Uruguay Round.

We regret that in the legislation the U.S. Administration will apparently not be granted the fast track authority necessary to proceed with the process of trade liberalization. One can only hope that such Congressional authority will be readily granted in the new year.

Not only Canada and the United States, but all countries will benefit from future trade agreements, be they through the expansion of the NAFTA or agreements concluded multilaterally through the World Trade Organization.

Some of the concerns that Canada and the international community have regarding the Uruguay Round legislation in the United States are reflected in problems within the NAFTA.

Consider the lumber dispute. After eight years of rancorous debate, in which sectoral interests exhausted every conceivable avenue of appeal, the countervailing duty has finally been removed by Washington. But while it was in effect, thousands of Americans were forced to pay more for their new homes because of the duty. And inflation in the United States was higher than it otherwise would have been.

Actions such as this, fuelled frequently by local discontents, disrupt trade and investment decisions, hurt consumers and corrode our bilateral relationship.

These continuing actions risk undermining the essential value of the Agreement. In endorsing the NAFTA, Canada argued that the expanded economic area would give companies improved access to an open North American market of 370 million people. Tariffs and non-tariff barriers would no longer distort economic development.

Producers would be more able to realize their full potential by operating in an integrated North American economy. As a result of heightened competition, consumers would benefit from better products and prices.

To a considerable degree, those goals are being realized, as is evidenced by the fact that trade among NAFTA partners has increased by 10 to 20 per cent during the first six months of the Agreement.

But how can one reconcile our trilateral goal of freer trade with actions such as in the lumber case? It points precisely to the unfinished business of the NAFTA and indeed of the FTA [Canada-U.S. Free Trade Agreement] before it. I speak of the reform of countervail and anti-dumping laws.

Canada entered first into the bilateral Free Trade Agreement and then the trilateral precisely because we want and need a stable trading environment. We were willing to meet the heightened competition that free trade brings; we endured sometimes painful adjustment; and we restructured so that we could compete in an integrated North American economy, the prerequisite to yet greater global competition.

Having made those commitments to greater competitiveness, we want the free trade agreement to work.

It doesn't work when industries in all three countries continue to try to block imports through countervail or anti-dumping actions.

Because this issue is so important to us, we insisted, as a condition of our participation in the NAFTA, that two trilateral working groups develop ways in which we can reform trade remedy laws by December 31, 1995.

In tackling this issue, we should take a hard look at how the Europeans have handled it. Within the European Union, dumping laws have been eliminated. For countries outside the Union, a common anti-dumping regime applies. Likewise, Australia and New Zealand have agreed to regard all commerce within their free trade area as domestic commerce.

In an integrated North American market, where firms have rationalized production on a North American basis, the concept of a national industry may no longer be viable. Should we not examine the impact of pricing behaviour on the continental market as a whole? Or would it suffice to tackle the definitions, thresholds and mechanisms provided in current anti-dumping laws?

These are the kinds of questions that must be answered on a priority basis. We should be encouraging firms to take advantage of an integrated North American market, not penalizing them for doing so.

Steel is a good example.

The Government of Canada wants to see a strong North American steel industry, not harmed by unfair competition.

The close integration of our markets makes North American steel trade unique in the world. This trade needs to be differentiated from steel trade with other countries. We not only share a market, but it is also the least subsidized and most open steel market in the world.

This is the context in which both the Government and the industry in Canada have consistently emphasized our view that trade remedy actions by any of the NAFTA countries against steel imports from any other are counterproductive and make no commercial sense.

We do recognize, however, that the process of integrating our markets and adjusting to increased international competition is not always easy. We recognize that appeal to trade remedy laws can be attractive. But these do nothing to promote progress, innovation, efficiency, or competitiveness — things we need to face in global competition.

The effect of the steel anti-dumping cases for the North American automobile industry is higher costs for companies and consumers. That's no way to meet the challenge of global automobile trade.

Now, I know that this logic enjoys considerable support here in Michigan, so I urge you to fight for reform of trade remedy laws, both through the NAFTA working groups and through a "clean" WTO implementation bill here in the United States.

Canada is a major trading nation. Our success in world trade means that we have a huge stake in the NAFTA and in the world trading system. A set of fair trading rules by which both we and our trading partners abide is important for Canada. It is important because, among other things, it ensures that investment decisions are based not on protectionist devices but on competitive advantage.

The Government of Canada is constantly working to enhance our competitiveness. First and foremost, we are committed to creating the conditions that produce strong and sustained growth.

Our approach is to have an economic policy framework that ensures that investors find in Canada an environment where business can grow and prosper.

We believe that sound investments should not be based on one-time-only incentives but on the country's broad and long-term economic growth prospects.

Our recent economic growth, led by a strong export performance and by equally strong business investment in machinery and equipment, has broadened significantly to include consumer spending.

Growth this year is expected to reach or exceed four per cent. We are confident of sustaining similar growth levels for some time to come. Recent strong investment reflects buoyant business confidence.

Indeed, in the second quarter of 1994, business confidence rose to its highest level since 1979.

Employment is rising, providing the basis for stronger consumer demand. At the same time, costs are staying down. Unit labour costs in particular have been falling due to the combination of low wage increases and greater productivity.

Among the G-7 [Group of Seven (leading industrialized)] countries, we have the lowest inflation rate. It has been at zero per cent in recent months. In the quarter ending last June, prices actually fell and the economy grew by an annual rate of 6.4 per cent.

The economic confidence that we are now seeing is aided by the determination of both the federal and the provincial governments to get their fiscal house in order.

Speaking on behalf of the Canadian government, I can assure you that we are determined to stay on course in our efforts to reduce the deficit.

We shall achieve our target of bringing the federal deficit down to three per cent of the Gross Domestic Product within three years, and from there to eliminating the deficit completely.

Almost a year ago, my party was elected with the mandate to concentrate on economic growth and job creation. Since then we have made real progress, working hard in co-operation with all provincial governments. Last Monday, Quebeckers voted to change their provincial government — nothing more. We therefore intend to stay on course in our agenda. That is the focus that the huge majority of Canadians, in all provinces, expect us to keep.

By pursuing a sound economic policy at home and a greater commitment to trade liberalization abroad, Canada is putting to work a reliable formula for sustained growth and prosperity. Ultimately, as has been reflected in UN surveys, Canadians enjoy perhaps the highest quality of life in the world, and we will do all in our power to keep it that way.

I invite you to participate in the Canadian economic renewal both by trading with us and by making productive investments in our country.

Thank you.