

Statement

Department of
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Discours

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Notes for a speech by

the Honourable Pat Carney,

Minister for International Trade,

to meetings sponsored by the

Nanaimo Chamber of Commerce and

the Victoria Chamber of Commerce

NANAIMO, VICTORIA, B.C.

February 15, 1988.

Minister for
International
Trade

Ministre du
Commerce
extérieur

Canada

Good afternoon, ladies and gentlemen.

I am here today with the team of experts from the Trade Negotiations Office because it is a golden opportunity for me to talk to you, the entrepreneurs and business people of the province.

You are the people who are going to make the Free Trade Agreement with the United States work.

I am also here because I want to tell you directly that the Government of Canada is behind you 100 per cent in meeting the challenges and taking advantage of the opportunities created by free trade.

Some people make the mistake of seeing the Agreement purely as a North American exercise. They criticize the Government for having economic tunnel vision.

What they fail to realize is that secure access to the U.S. market is a key to Canada's international competitiveness, not only in North America, but in markets throughout the world.

No one appreciates that more than B.C. entrepreneurs and business people who want to expand their activities in Asian markets.

The Prime Minister and I, and all our colleagues in the Cabinet, believe in Canadians, in their spirit of enterprise, in their competitiveness and their capacity to innovate.

When our bilateral trade negotiations with the United States were just getting underway, some people were saying that free trade was a leap of faith. My view is that it was an act of faith, based on confidence in Canadians and knowledge of their abilities.

That positive attitude has inspired all of our economic policies and initiatives.

With the support of the Prime Minister and all my colleagues, I negotiated the Western Accord with the West's energy-producing provinces. Not only did the Western Accord eliminate those aspects of the National Energy Program which were so harmful to Western interests, it returned the energy sector to enterprising Canadians and out of the hands of technocrats and bureaucrats in Ottawa.

We have deregulated transportation-- another act of faith in enterprising Canadians.

We eliminated the Foreign Investment Review Agency, which had driven foreign investors away, and replaced it with Investment Canada, which has a mandate to promote investment in this country.

Investors from around the world are discovering a "new Canada". Those are words used by Minoru Kanao, who headed a high-level Japanese business mission to Canada. Among other things, the Kanao mission reported that it had found a new spirit of national reconciliation, an improved labour climate and a favourable attitude toward foreign investment in Canada.

The result?

In 1986 we had an all-time record of \$7.5 billion worth of foreign direct investment. That same year we also had \$26 billion worth of new portfolio investment by foreigners.

These figures are particularly gratifying because investment is a vote of confidence in Canada, in its strong economic performance today and in its dynamic future.

In September 1984 Canadians gave us a strong and clear message:

"Start building Canada again."

That is exactly what we have done.

As the Minister of Finance pointed out in his budget last week, Canada has had the strongest performing economy among Western industrialized nations.

- We have been number one in economic growth since 1984.
- We have been number one in employment growth--more than 1,150,000 jobs created since we came to office. And contrary to the stammerings of the opposition, most of those jobs have been full-time, well-paid jobs in every sector of the economy.
- Here in B.C., 140,000 jobs have been created since September 1984. Five times as many jobs have been created in B.C. in the 40 months since September 1984 than were created in total between the 1980 and 1984 elections. And again most of those jobs are full-time, well-paid jobs in construction, the resource sector, investment, manufacturing and high tech industries.
- Economic growth last year was more evenly balanced--unemployment actually dropped in all 10 provinces.
- Here in B.C., unemployment has dropped from 15.1% at the time of the election to 10.1%, a drop of 5 percentage points.
- Mortgage rates have dropped 3 percentage points, saving homeowners \$1,200 per year on a \$50,000 mortgage and helping businesses to expand throughout the country. Housing starts in 1987 were up 40% compared to 1986, up 64% compared to 1985, and up 92% compared to 1984.
- Inflation is in check. Here in B.C., inflation is below the national average of 4.2% with Victoria recording one of the lowest rates in the country at 3.5%. Lower inflation means lower prices for all consumers and particularly helps seniors and lower-income Canadians.
- And, both consumers and business are displaying more confidence than ever.

The Canada-U.S. Free Trade Agreement is a vital part of the Government's economic program to build Canada for the twenty-first century.

Canadian consumers stand to gain a lot from the Agreement.

A technical impact study, recently released by my colleague, the Minister of Consumer and Corporate Affairs, lists a number of potential benefits for consumers under free trade. According to the study, when the Agreement is fully implemented:

- the cost of living of low-income Canadians will decrease by three per cent and that of middle- and high-income Canadians, by two per cent;
- the typical middle-income family will pay \$8,000 less to establish and furnish a home; and
- increased competition will improve the price, quality and variety of consumer products.

No matter what we do in life, we are all consumers. All of us will benefit when the Agreement is implemented.

In the workshops this morning, you discussed in detail the terms and provisions of the Agreement. You were able to ask technical questions related to your business and sector.

You were able to find out exactly what Canada and the United States have agreed to. In a nutshell, we have agreed:

- to phase out all tariffs between us by 1998;
- to establish innovative rules for trade in services, which are the fastest growing component of international trade. The Agreement will make border crossing and temporary entry into the United States much easier, something which I know a number of you will appreciate;
- to expand opportunities to compete for government purchases in each other's country; and
- to establish effective ways to settle trade disputes between our two countries, including binding, binational resolution of disputes over countervailing duties, anti-dumping and import safeguards.

What does this mean for B.C.?

In 1986 the province exported \$13.5 billion worth of goods. The U.S. market accounted for 51 per cent or \$6.3 billion of those exports.

The Free Trade Agreement means new opportunities for more jobs and greater economic growth in this province. It also means greater opportunities to diversify the industrial base of this province, a longstanding objective of all British Columbians.

More specifically, three elements of the Agreement are particularly significant for B.C. entrepreneurs and business people:

- tariff elimination;
- new ways of settling trade disputes; and
- freer trade in forestry, agriculture and energy.

By eliminating all tariffs by 1998, the Agreement will provide B.C. entrepreneurs cheaper inputs, which will result in lower production costs and better cost competitiveness.

Tariff elimination also gives you the opportunity to compete for much bigger markets. If you are a manufacturer, you will be able to have much larger production runs. This will allow you to rationalize and modernize your operations and to be even more competitive, not only in North America, but around the world.

In British Columbia, of course, the dispute settlement provisions of the Agreement strike a particular happy chord.

Perhaps more than anyone else in this country, British Columbians have been victimized by the unfair application of U.S. trade remedy law.

Our objective in the negotiations was to replace what was becoming the rule of lobbies by the rule of law .

We fought hard for your interests. We met our objective.

The Agreement establishes binational ways of settling trade disputes such as the softwood lumber case. In future, Canadians as well as Americans will referee trade disputes with an impartial chairman.

Though we cannot rewrite history, we can prevent history from repeating itself.

Once the Agreement is implemented, you will be able to appeal future disputes to an impartial, binational panel. You will no longer have to look over your shoulder or be afraid of being too successful in the U.S. market.

If you play by the rules of the game and you gain market share in the U.S., you will be protected from harassment by U.S. competitors.

More secure and predictable access to the richest market in the world will allow the people of this province to diversify their industrial base.

It is also important for the heart of B.C.'s economy -- forest products.

Forest products account for 45 percent of the province's exports. As you know, U.S. trade actions have been particularly severe for this industry. The dispute settlement provisions will go a long way towards creating a rational and secure environment for our forest product exports.

In addition to opening up opportunities for increased exports of forest products, the Agreement will restore duty-free treatment of exports of western red cedar shingles, when current emergency tariffs are terminated. The Agreement also provides that Canada can retain its control on log exports, something which will preserve jobs in B.C. mills.

Agriculture is also a major industry in this province. The Agreement sets out a package of trade-liberalizing measures, many of which are product specific.

For example, Canada and the United States have exempted each other from restrictions under our respective meat import laws. This means free trade in beef and veal.

The Agreement gives special protection to B.C. fruit and vegetable producers. For 20 years, we will be able to apply special tariffs when prices are abnormally low.

The Agreement phases out protective pricing and listing of wine and liquor, while protecting B.C. estate wineries. We are working hard with the provincial government and industry representatives to devise a special adjustment package for grape growers and the B.C. wine industry.

As far as B.C.'s energy industry is concerned, the Agreement will enhance its ability to grow, to generate larger revenues and to create jobs. The Agreement will also help create a more stable environment for investment in energy developments. This will not only benefit the citizens of this province, but will strengthen energy security for all Canadians.

B.C. exports of hydro-electric power to the Western States are assured under the Agreement. The U.S. will require the Bonneville Power Administration to provide B.C. Hydro the same access to power transmission lines that it provides to U.S. utilities which are located outside the Pacific Northwest.

In the final analysis, the Canada-U.S. Free Trade Agreement creates a stable, open environment in which B.C.'s resource, manufacturing and service sectors all stand to gain.

It does not, however, guarantee success. It does not guarantee growth and prosperity. That will depend on you, on your competitiveness, your innovativeness and your spirit of enterprise.

You may be saying to yourself:

"Well, that's all very nice, but what is the Government going to do to help me and my business adapt to this new environment?"

In my opening remarks, I said that the Government was 100 per cent behind you. We are there to provide you the assistance you need to meet the challenges of free trade and take advantage of the opportunities it will create.

I already mentioned that we are devising a program to assist the grape growers and the wine industry who have special adjustment needs.

A number of programs already exist to assist Canadian exporters. These include the Export Development Corporation, the Canadian Commercial Corporation and the Program for Export Market Development.

Trade officers in our extensive network of U.S. posts are ready to serve you at any time and are invaluable sources of information and expertise. We also have trade officers in the regional offices right across the country. Here in B.C., trade officers are based in DRIE offices in Vancouver, Victoria and Prince George. Assistance is also provided by FBDB offices throughout the province.

But, we believe there is more, much more we can do for you in the export field, especially in light of the challenges and opportunities under the Free Trade Agreement.

Three principles are guiding us in our efforts to develop better export programs and services: information, accessibility and practicality.

- Information: we want to provide you useful information to identify market opportunities and to know about government export assistance programs and services so that you can take full advantage of those opportunities.

- Accessibility: no matter where you are in this country, we want you to have ready access to our export programs and services. You should not have to write to Ottawa every time you want a little information or advice for your export venture.

- Practicality: above all, our programs and services must meet your practical needs.

With those three principles in mind, we are currently considering initiatives along the following lines:

- Reinforcement and consolidation of all federal export programs and services in regional offices. We want to improve delivery of services and information to all regions of Canada, to increase our capacity to serve you and to make our regional offices more export-oriented;

- Expansion of marketing training and education programs such as the Centres for International Business Studies Program. We are considering adding new centres to the program and introducing new elements such as a program designed to prepare small- to medium-sized businesses for international marketing and to assist such businesses to hire people who have international marketing expertise and training; and

- Assignment of trade officers in regional offices across the country with a specific mandate to provide information, advice and assistance to entrepreneurs concerning the U.S. market.

Developing and implementing such services are always a challenge. They certainly cannot be done overnight. The important point is that we recognize the need to improve our export programs and services.

In that sense, we are not only 100 per cent behind you, we are 100 per cent with you, in Canada and through our posts abroad.

Some people have said that the Canada-U.S. Free Trade Agreement is not just a trade agreement--that it goes beyond trade.

They are right.

As the Prime Minister said, the free trade initiative is:

"A declaration of confidence in ourselves. Confidence in our ability to compete with the best in the world."

In fact, all of the economic policies which we have introduced since 1984 are a declaration of confidence in ourselves.

That confidence is crucial to our destiny.

Why? Because in today's competitive global economy there is just no room for the timid.

Thank you.