

Statement

Discours

Department of
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Ministère des
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Notes for a speech by
the Honourable Pat Carney,
Minister for International Trade,
to the 94th Annual Conference of
the Ontario Good Roads Association

TORONTO

February 24, 1988.

Minister for
International
Trade

Ministre du
Commerce
extérieur

Canada

Ladies and gentlemen.

I want to congratulate you on your 94th anniversary. Few associations in this country can make that claim.

I also want to thank OGRA for giving me this opportunity to speak to you about the Canada-U.S. Free Trade Agreement.

During the past three days, you have discussed ways of meeting the transportation challenge. You have dealt with highly technical issues, as well as with very basic and very real human issues.

International trade can also be a highly technical issue. But, in the final analysis, international trade concerns people and the quality of their lives. Three million Canadians and their families owe their livelihood to our ability to sell in markets outside this country.

We negotiated the Free Trade Agreement with the United States because free and secure access to that market is essential to our future as a trading nation.

To be competitive in any of the major markets of the world, our entrepreneurs and businesses must be able to base their operations on a market of well over 100 million people. The Free Trade Agreement provides us access to a market of 250 million people.

The Free Trade Agreement gives our businesses a fighting chance to be winners in the international marketplace.

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

In fact, our free trade initiative was born out of an entirely different perspective -- a global vision of Canada.

Not only does the Free Trade Agreement provide us with access to the North American market, it makes us an attractive centre for investment for foreign companies which wish to build on that secure access. Every day we read in the newspapers how other countries envy us our trade agreement with the U.S.

That envy will be translated into investment dollars.

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, including Asia Pacific and Europe.

By eliminating all tariffs by 1998, the Free Trade Agreement will provide Canadians with lower costs, which will result in increased competitiveness and lower prices.

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.

We need free and secure access to the U.S. market if we want to take full advantage of trade and investment opportunities in the major markets of the world.

Some people have said that the Free Trade Agreement was a leap of faith. I say it is an act of faith, based on confidence in Canadians and knowledge of their abilities to compete and innovate.

That positive attitude has inspired all of our major economic policies and initiatives. Our deep faith in enterprising Canadians led us to deregulate the energy, transportation and financial industries.

It was our faith in Canadians which led us to create Investment Canada. It has a specific mandate to encourage Canadian and non-Canadian investment in this country.

That policy is paying handsome dividends.

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.

Investment is the clearest possible vote of confidence in a country. Investors around the world are once again taking a look at Canada.

They obviously like what they see.

Minoru Kanao, who headed a high-level Japanese business mission to Canada in 1986, said that he had discovered a "new Canada". Among other things, the Kanao mission was impressed by Canada's technological excellence, its new spirit of

national reconciliation, the improved labour climate and the favourable attitude toward foreign investment since the Government of Prime Minister Mulroney took office.

But, policies based on faith in Canadians have done more than attract the interest of investors.

By creating an environment which frees the energies of enterprising Canadians, we have helped to make this country the strongest economic performer among Western industrialized nations.

As my colleague Mike Wilson, the Minister of Finance, pointed out recently in his budget:

°We have been number one in economic growth since 1984. Ontario's economy has grown on average five per cent a year since 1984.

°We have been number one in employment growth -- more than 1,500,000 jobs created since we came to office. In Ontario, 547,000 jobs have been created. Most of those jobs have been full-time, well-paid jobs in every sector of the economy.

°Economic growth last year was more evenly balanced -- unemployment actually dropped in all 10 provinces.

°In Ontario, unemployment has dropped a full four percentage points since we came to office and is now 5.6 per cent.

°Mortgage rates have dropped three percentage points, saving homeowners \$1,200 a year on a \$50,000 mortgage and helping businesses to expand throughout the country. Housing starts in Ontario in 1987 were over 29 per cent higher than they were in 1986, over 62 percent higher than they were in 1985 and over 118 percent higher than they were the year we came to office.

°Inflation is in check. In spite of Ontario's booming economy, inflation in the province has remained below five per cent. Strong economic growth, combined with low and stable inflation rates, means an improved standard of living, especially for our most vulnerable citizens such as seniors and lower-income Canadians.

°And, both consumers and business are displaying more confidence than ever.

The Free Trade Agreement is a vital part of the Government's economic program to build Canada for the 21st century.

In a nutshell, we have agreed to:

°phase out all tariffs between Canada and the U.S. by 1998, starting in 10 months time, January 1, 1989;

°set innovative rules for trade in services, which are the fastest growing component of international trade and the greatest source of new job opportunities;

°provide secure access and non-discriminatory treatment for each other's investors. This is becoming increasingly important from a Canadian point of view. By the end of 1986, Canadians had \$39.9 billion worth of direct investment and about \$14.3 billion worth of portfolio investment in the United States.

°strengthen automotive industries on both sides of the border by reaffirming our commitment to the Auto Pact and by expanding its application; and

°establish effective ways of settling disputes including binding, binational resolution of disputes over the application of countervailing and antidumping laws.

What does the Agreement mean for Ontario?

First, some numbers.

°Over 30 per cent of the goods produced in Ontario are exported -- that is, roughly equivalent to the national figure.

°The total value of Ontario's exports in 1986 was \$56.2 billion -- that is more than \$6,000 for every man, woman and child in this province.

°No province is more dependent on the U.S. market than Ontario. Fully 90 per cent of its exports go to the United States and 83 per cent of its imports come from that country. This is higher than the national average -- for Canada as a whole in 1986, 77.3 per cent of our exports went to the United States and 68.6 per cent of our imports came from that country.

°In 1986, Ontario exported \$31 billion worth of cars, trucks and parts to the United States -- that is, 55 per cent of its exports to that country.

Those are the stakes in having secure, open access to the U.S. market.

The Government of Ontario has said that it is in favour of trade liberalization, but that it cannot support this particular agreement.

Its reasons for taking that stand are not particularly clear. For example, the Premier has said that he cannot support the Agreement because Canada was not exempted from U.S. trade laws.

Our objective was to ensure the fair application of trade laws. We sought and we obtained the rule of law in order to replace what was degenerating into the rule of lobbies.

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

This ensures that Canadian exporters, who play by the rules of the game and who increase their market share in the United States, will be protected from harassment by U.S. competitors.

The Agreement does not guarantee success.

It does not guarantee prosperity.

It does create a rational and fair trading environment in which these goals can be achieved. It will be Canadian entrepreneurs, businesses and risk-takers who will make that Agreement work for Canada.

Critics of the Agreement have been unable to mount any kind of believable attack on the basis of either economic fact or economic theory. Instead, they have engaged in a pitiful display of fear-mongering, saying that we are "selling out the country" or "giving up our sovereignty".

The fact is that none of the elements, essential to our sovereignty, were on the negotiating table. For instance, our cultural industries are specifically exempted from the Free Trade Agreement.

None of our social programs, regional development programs and other policies, which we consider to be vital to our unique identity and our sovereignty, are subject to the Agreement.

Furthermore, if the Free Trade Agreement was such a threat to our social policies and programs, how could we have introduced the National Day Care Program, which has to be one

of the most ambitious social programs introduced in this country since medicare?

So, what exactly are the critics afraid of? What are they talking about?

Who knows? But, I'll tell you what we are talking about.

We are talking about an agreement that will make our economy stronger and more internationally competitive. This, in turn, will make Canada a stronger country, even more confident in its own identity and its unique social and cultural fabric.

This Agreement represents a new vision of Canada as a strong, dynamic country which has a leading role to play in the world and the confidence to play it.

It is about jobs and economic growth, now and into the 21st century. It is about opportunities for growth for regions of this country which, up to now, have not had their fair share of the wealth generated by our economy.

It is about sovereignty because only an economically strong country can support our unique social programs and cultural policies.

Most of all, it is about securing and enhancing access to our largest export market.

This bold vision of Canada frightens our critics.

They have opted for the politics of fear and anxiety. They offer you policies for the timid, not policies for the bold.

Their lack of faith in enterprising Canadians would lead us back to the nineteenth century.

We believe in a Canada that is enterprising and innovative.

As Paul Reichmann was quoted as saying last Fall in Macleans Magazine:

"Americans work hard. Canadians work better. We will prosper in a free trade deal."

We share that view.

I ask you to judge which vision of Canada will lead us successfully into the next century.

Thank you.