

Minister of Industry,  
Science and Technology and  
Minister for International Trade



Ministre de l'Industrie, des  
Sciences et de la Technologie et  
ministre du Commerce extérieur

# Statement

# Déclaration

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**NOTES FOR AN ADDRESS BY**

**THE HONOURABLE MICHAEL WILSON,**

**MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND**

**MINISTER FOR INTERNATIONAL TRADE,**

**TO THE**

**SAN DIEGO CHAMBER OF COMMERCE**

**SAN DIEGO, California**  
**April 6, 1993**

Ladies and gentlemen:

It's a great pleasure to speak to you today.

As a Canadian, I feel quite welcome here in California. That's not really surprising. After all, outside of Canada, there are more Canadians living here than any other place on earth. They have come to California to pursue opportunities in your entertainment, scientific and high-tech industries. Their successes have enhanced Canada's strong interest in increasing trade and investment relations with your great state. In fact, that is the reason for my visit here today.

I am happy to see for myself the renewal that is under way in San Diego. Your already successful efforts at restructuring and diversifying your economy will be enhanced as Canada, the United States and Mexico bring into force the North American Free Trade Agreement (NAFTA). San Diego is well positioned to benefit from the opportunities that will arise from the Agreement.

Much solid business is already under way between California and Canada. In fact we are your second largest export market -- the target for 11 per cent of the goods you produce for export. In 1991, California's exports to Canada were worth almost \$6 billion.

In return, California has strong potential as a market for Canada's world-class products and services in a number of diverse sectors, including transportation, energy, environmental, high-tech and biotech industries.

The variety and quality of the strategic alliances being forged between San Diego and Canadian companies are impressive. This morning I met officers of a number of biotechnology companies who have engaged Bio-Research Laboratories in Montreal for pre-clinical testing of new drugs. These companies are also involved in process development with the Alberta Research Council in Edmonton.

San Diego has proven a very successful city for Canadians. Since we opened our trade office here more than three years ago, our expectations for new business alliances have been more than met. Great potential exists for even more trade and partnerships. The NAFTA is going to help us in this important quest.

The Agreement is part of Canada's comprehensive trade and economic strategy. We are a trading nation, with one in four jobs dependent on exports. Our trade agenda is based on a clear vision of a future where Canadians can compete successfully in a constantly changing global marketplace. Recent years have seen great upheavals in the world. In many instances, former trading patterns and old ways of doing business are no longer valid.

Goods and products are not the only basis of trade any more. In many countries, services are rapidly overtaking goods as the

driving force of economic growth. Technology transfer, intellectual property and investment are changing the face of international trade as we know it.

The rapid advances in technology have caused great upheavals in the marketplace -- not only in what we sell, but in how we do business. In the face of globalization, we must strengthen our trading alliances and adapt to change. Our jobs and prosperity depend on our ability to respond quickly to new opportunities created in a changing world order.

By participating in the NAFTA, Canada is signalling its willingness to take advantage of globalization. We are looking to the future, ready to face the challenges and opportunities presented by the new economic climate in Mexico and an integrated North American market.

The modern global economy demands that we use all the tools we have to secure new markets and to make our products and services more competitive. Just as we pursue global markets for trade, we must also explore investment opportunities and production inputs wherever they exist.

Canadian exporters recognize the need to become more internationally competitive, to streamline their production and to produce goods and services for the world market and not just the Canadian or North American market.

To an unprecedented extent, they have accepted the challenge to diversify, establish joint ventures and enter into licensing agreements and distribution networks. They now view the U.S. market not only as vital in itself, but as a stepping stone to the world.

These companies and the people they employ are the reason we are part of the NAFTA.

We wanted to deliver an agreement that would maintain Canada as a prime location for investment in the North American market: we succeeded. We wanted to make some limited improvements in our free trade agreement with the U.S.: we succeeded. And we wanted to gain better access to the Mexican market of 85 million people that had been largely closed to us by high tariffs and non-tariff barriers. Again, we succeeded.

We do not claim that the NAFTA will produce economic miracles, but it will, over the long term, contribute to solid job-creating economic activity.

Canada is committed to the NAFTA. Our parliament is currently considering legislation to implement the Agreement, and it is our government's intention to have the required legislation in place before summer. We will fulfil our end of the bargain to establish the new North American free trade area. All parties

have reiterated their commitment to see the NAFTA come into force on January 1, 1994.

At the same time, we welcome the opportunity to achieve additional "side" agreements on the environment and labour. Canada continues to play a leading role in talks to strengthen environmental co-operation among the NAFTA partners. Indeed, we were a strong proponent of a trilateral commission on the environment during the NAFTA negotiations themselves.

At that time we also advocated establishing a trilateral forum to explore labour issues. This was turned down at the time, so we are pleased that the United States and Mexico are now prepared to discuss a trilateral agreement in this area. Canada is in full support of efforts to improve working and living standards in all three countries and, as the NAFTA preamble states, "to protect, enhance and enforce basic workers' rights."

Let me express some concerns here about the supplemental agreements. As I said, we favour them, but express caution about what can be achieved. Expectations are high. My concern lies in the area of enforcement.

Some observers have talked about putting teeth in these side agreements, but teeth can bite in many ways. Let us collaborate and let us consult. Let us try to raise enforcement standards. Let us agree on minimum standards. Let us raise public awareness of sustainable development and other environmental and labour issues. But does the U.S. want Mexico enforcing, through Mexican trade remedy laws, environmental standards in California? Or Canada doing the same thing, through Canadian laws, in the State of Washington?

Let us learn from each other's experience, but for the NAFTA to be a success we must also respect each other's sovereignty. This will be the biggest challenge we face in completing the NAFTA approval process.

Canadians have listened closely to the debate about the NAFTA in your country. We have heard the criticisms and, believe me, they are familiar.

We, too, have heard the prophets of doom predict all manner of afflictions for our economy when we negotiated the Canada-U.S. Free Trade Agreement. Five and a half years ago last weekend, Jim Baker and I stood together in Washington and told a press conference that the FTA that we had concluded the night before was a win-win situation for both countries. The last four years have dramatically proven the truth of that statement.

Let me make it very clear. The Government of Canada is more than ever convinced that the decision we made to enter into the Agreement in 1989 was the right one. The NAFTA will build on the solid achievements seen by Canadians and Americans alike under

the FTA. I urge you to maintain the momentum for free trade and support quick passage of the NAFTA legislation in the U.S. Congress.

My conviction about the worth of the FTA is not based on faith: it is based on the hard evidence that shows the Agreement is indeed a win-win situation for both our countries. During a difficult economic period, two-way trade in goods and services between our two countries increased by 16 per cent under the FTA, and in 1992 really took off. For example, Canada's exports of goods to the United States were up 13.6 per cent and are a key factor in Canada's recovery.

The FTA is helping North American industry increase its international competitiveness. The NAFTA will do as much for Canadians, Americans and Mexicans.

The FTA has made clear improvements to Canada's overall economic climate and the growth of Canada's gross domestic product. Economic analysis shows the Agreement has had a correspondingly positive effect on employment. It has also resulted in cheaper imports, which have helped restrain inflation to an annual rate below 2 per cent -- an enviable achievement. The recession of 1990 and 1991 would have been significantly worse for Canada if it had not been for the Agreement's net beneficial effect. It is our healthy export performance that is leading us out of that recession.

The broad economic indicators, however, provide only part of the picture. Trade figures remain the key and here the results are overwhelmingly positive. Canadians and Americans are selling more to -- and buying more from -- each other. As a force to strengthen the North American marketplace, the Free Trade Agreement is clearly proving its worth.

For example, in 1992, the amount of trade between our two countries reached \$227 billion. This is the largest two-way trading relationship in the world -- a fact that still surprises many Americans and Canadians alike -- and the volume of trade continues to expand on both sides of the border. In January, Canada's exports to the U.S. increased by a record 23 per cent over January 1991. Exports from the U.S. to Canada were up almost 15 per cent over a year ago.

The overall trading relationship between our two countries can be characterized as one of balance. Canada enjoys a merchandise trade surplus with the U.S., while the U.S. has a positive current account balance with Canada, thanks largely to Canada's trade deficits for tourism and business services.

A recent study by the Government of Canada on trade patterns in the last 30 years shows merchandise trade between the U.S. and Canada has grown faster than either country's gross domestic product.

Significantly, over the past 10 years, both countries have increased their share in each other's markets. Despite a decline between 1985 and 1988, U.S. manufactures have staged a comeback in the Canadian market. Non-transportation manufactures saw their share of the Canadian market grow from 18 per cent in 1986 to a record 21 per cent in 1991. Canadian manufacturers, too, have reached an all-time record share in your markets. It is worth pointing out that these records have been reached since the FTA has been in effect. Simply put, free trade expands trade.

We are already seeing the mutual benefits that flow from trade liberalization. The NAFTA strengthens the foundations for global competition laid down in the FTA.

However, the Free Trade Agreement has not made the Canada-U.S. trade story an entirely harmonious one. There continue to be frictions, as you might expect in the world's single largest trade relationship. We have serious problems now in steel, beer and softwood lumber, but, thanks to the FTA, we are in the enviable position of being able to address our differences in what has proven to be a transparent, fair and equitable dispute settlement mechanism. The NAFTA will improve on that mechanism.

During the months of negotiating the NAFTA, we have heard a lot about free trade and fair trade. However, too often what constitutes fair trade remains in the eye of the beholder. Restrictive trade barriers exist in both of our countries. We need to reduce and eliminate those barriers. You have the Buy America Act and the Small Business Set Aside. We have inter-provincial trade barriers. But I am happy to report that the federal government has initiated comprehensive discussions with the provinces to reduce those barriers and allow greater competition, through a sort of "internal NAFTA," if you will.

Our trade liberalization efforts, however, are only part of a wider government package to restructure the economy and improve the environment in which you conduct your business. We accomplished this restructuring through the agenda for economic renewal, which we introduced in 1984 and which has guided the policies of the government ever since.

These efforts are designed to make Canada a strong contender in today's demanding global marketplace. First, we have brought government finances under tighter control, instituting a careful and deliberate multi-year plan to lower government deficits and establish sound fiscal management.

Indeed, government operating costs, after inflation, are today more than 20 per cent lower than when the Mulroney government came to office. In fact, the government is actually running a surplus on its operations, net of those all-too-high debt servicing costs. And by law, every penny of our goods and services tax -- our equivalent of the European value-added tax --

is used only to pay interest on the debt and, ultimately, reduce the debt.

One of the steps we took to put our financial house in order was a systematic privatization program. To date we have dissolved 14 government-owned businesses and undertaken 23 privatization initiatives. De-regulation has also been an important feature of the government's economic program. We replaced the Foreign Investment Review Agency, which discouraged investment, with investment Canada, an organization that now encourages it.

These efforts are paying off. Net foreign direct investment in Canada has increased significantly since the FTA. For instance, Price Club of San Diego has expanded into Canada and now boasts 17 locations and 7,000 Canadian employees. Another local company, Solar Turbines, has made extensive sales in Canada and has entered into a joint venture with a Canadian company, the Nicholls Radtke Group, to manufacture steam turbines in Cambridge, Ontario.

We welcome these enterprises and we are confident this trend to invest in Canada will only grow under the NAFTA. Foreign investors see Canada as an attractive base for their North American operations, thanks to our highly educated work force, sophisticated infrastructure and abundant resources. Now the NAFTA will offer such companies secure access to Mexico and even better economies of scale.

The term "strategic alliance" has become part of the current coin in business circles. At a time when maintaining competitive advantage is seen as a basic survival skill, more and more companies recognize the merits of partnership. That's why the Government of Canada and the provinces of British Columbia, Ontario and Quebec held the Canadian-American Business Matchmaking Forum in San Diego last July.

It was designed to identify local companies with strong potential to form strategic alliances with Canadian companies. The program offers tremendous potential for companies interested in the following areas: licensing products for production in Canada; expanding through a joint venture; entering into a co-operative marketing agreement; or wishing to take advantage of Canada's generous research and development tax incentives.

This forum was not a raiding exercise -- the aim was to co-operate, not compete. Because of our emphasis on creating a win-win situation for all potential partners, our co-sponsors were the San Diego Economic Development Corporation and the local office of the U.S. Department of Commerce.

The San Diego event was our most successful in California thus far. Of the 40 participants, we identified 12 with strong potential as a strategic alliance partner, considering the technology, the market and the individual business proposals each

had to offer. I am confident it won't be too long before we hear of a number of success stories as a result of this matchmaking program.

Free enterprise and free markets go hand in hand. That is why the Government of Canada has been determined to bring down barriers to trade with all our trading partners. We believe that long-lasting and beneficial trade relations can flourish only in an open, stable and predictable trading environment. The successful conclusion to the Uruguay Round of Multilateral Trade Negotiations will go a long way to ensuring a predictable environment for global trade and investment.

Both our governments are clearly committed to this goal. The NAFTA is fully consistent with our international trade obligations at the General Agreement on Tariffs and Trade (GATT). In fact, as Arthur Dunkel, Director General of the GATT has said, "Multilateralism and regionalism can co-exist; better, they actually reinforce one another."

The negotiation of the Canada-U.S. Free Trade Agreement is among Canada's most significant trade undertakings. And the effective extension of this agreement to include Mexico in the North American Free Trade Agreement has equal prospects for success for all three countries.

But a trade agreement, no matter how good it is, doesn't guarantee results alone. That is why we should applaud the efforts of the Canadian and San Diego companies working together on important new ventures in biotechnology and telecommunications. Companies like Qualcomm of San Diego, which has signed a licensing agreement with Northern Telecom to manufacture products for the next generation of cellular telephone systems, are setting the right kind of example.

Spar Aerospace of Montreal has recently purchased Comstream, here in San Diego, to aid its efforts in developing earth stations for satellite transmission systems. Other Canadian companies enjoying success here include Laidlaw, Alcan and Trizec, which, through its Hahn group, has a number of real estate investments in southern California.

As business people and border residents, many of you would agree that there are favourable signs ahead for the growth of trade in this hemisphere. With the NAFTA, Canada, the United States and Mexico are forming a new partnership.

It is time to concentrate on solutions to our trading relationship, not problems. Time to look to the future, not the past. And it is time to work together with co-operation, not protectionism.