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Address by the
Right Honourable Joe Clark,
Secretary of State for
External Affairs, on the
Canada-U.S. trade agreement
to the Saint John Board
of Trade

SAINT JOHN, NEW BRUNSWICK
October 7, 1987

OTTAWA
October 16, 1987.

I, naturally am not going to abuse your hospitality by discussing the Provincial election, although I think you will not be surprised to learn that during a little bit of free time this afternoon, I will be out working to elect Progressive Conservatives. You will perhaps allow me one other comment. I don't know the Liberal Leader of New Brunswick, but I do know Richard Hatfield. He and I have even disagreed on one to two spectacular occasions. But among the political leader of our time, Richard Hatfield is one of a small handful whose leadership has genuinely changed the history of our country - and changed it for the better. I wouldn't dream of trying to influence your decision in an election - after all - some of you disregarded my advice in 1980 - but at least one of the leaders in this campaign - the leader I know - is a man of extraordinary courage, vision and dedication to his people and his province.

I have a great satisfaction in being here after the conclusion of the trade talks because they kept me as they kept Gerry Merrithew and other ministers very busy over the past several months. In fact I was down at the UN a couple of weeks ago - I was supposed to be there for four days - I kept being called back to Canada for emergency meetings. My daughter Catherine, having found me for the second consecutive morning at breakfast when I was supposed to be in New York, look at me and said, "Daddy, why do you keep coming home?" I am told by people with daughters a little bit earlier that becomes a more dangerous question as life goes on.

But one of the reasons for our satisfaction and for mine on the trade matter is that for a long time we have been engaged in a fanthom war, in a phony war. But we now have an agreement whose details are known and will become known. That allows us to deal with the real issues that are at stake here, and not become preoccupied by a number of suggestions or false fears that might be raised. There have been concerns for example that actions might be taken that would emperil the ability of the government of Canada to contribute to regional development. That has not happened. Canada's capacity to contribute to regional development as we always have remains unimpaired by this agreement. There was a concern that there might be an impact on our ability to follow Canadian cultural goals - that has not occurred. There was a concern that there might be some limitation on the freedom on Canadian producers to organize into marketing boards - that has not occurred. There was a range of other fears that were generating a great debate in the country but had nothing to do with what was being discussed and nothing to do with the proposal that is before us now.

I'm not going to spend a lot time on the critics of the proposal at this stage today, but I just want to make the point that the people that are the most dramatic in their opposition to this proposal were opposed to it before they saw it, were opposed to it in principal, are not opposed to what it proposes, but are opposed to the very idea of seeking this kind of arrangement with the United States or presumably, on the record, with anybody else. I thing that that should be borne in mind.

It was not an easy victory in this trade negotiation. The outcome was uncertain right up to the last day. Very often you hear about the eleventh hour. Well this was the eleventh hour. I remember the Prime Minister, and I and Mr. Mazankowski and two or three others were in the Prime Ministers' office at midnight as the deadline loomed and was reached. This came down to the wire. It came down to the wire against a background, of course, of an awful lot of specific negotiations, two years in which both sides had been talking about the matters that might be put in place and that combination of work beforehand - getting the Americans' attention and getting the Americans' agreement - at the end gave us the agreement that we have.

This audience is more qualified than most to appreciate the significance of that achievement and its importance for the economy of Atlantic Canada, for your employment, for your prospects here, for your growth. I want to underline some of the foundations of the agreement and highlight what it means specifically for New Brunswick and for other Atlantic Provinces.

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It is worth remembering that Canada-United States trading relations - and indeed all of our relationships - constitute the largest and most complex relationship between any two countries in the world. Yet, we are distinctive societies. We pursue our own, separate, national interests even though Canadians and Americans have in common more values and more goals than any other set of bilateral relations in the world, including those within the European Community.

Therefore, our common interest was, is and always will be in building upon the friendship that binds Canada and the United States. Both countries entered into negotiations towards a comprehensive trade agreement because of hard-headed calculation of our respective and mutual interests. Both countries wanted to enshrine and expand the largest trading relationship in the world, from which we both have benefitted so much in the past and which both governments want to safeguard against the rising tide of world protectionism.

Interdependence with the U.S.A. brings enormous benefits to Canada in both economic and security terms. For Canada, the art of the possible has always lain in our ability to have those advantages without risking our identity or our independence. That is why we have not entered in the bilateral trade negotiations just to get the best possible economic bargain. We have conducted these negotiations with a strong sense of the requirement for our political and economic self-determination. We were prepared to walk away from the table

if we did not get a binding dispute settlement mechanism. But more fundamentally we were prepared to walk away if there was the risk of a threat to our sovereignty, to our culture, to our social fabric and services, or to our ability to assist the regions in their own development.

The Free Trade agreement is very much part and parcel of this government's national agenda. We came to office in 1984 with a clear mandate for economic renewal and for national reconciliation. We did both. Since September 1984, more than 900,000 jobs have been added and employment growth in this country has been second to none. Output growth in Canada in 1986 and in the first half of 1987 was the strongest in any major industrial country in the world. Free trade will ensure that this trend not only continues but that the environment within which our economy grows gains the stability of access which is essential for further progress.

With the Trade agreement, we've not attempted to dictate to Canadians a new way of life. We have responded to the needs of this country. All Canadians know that one Canadian job in three is directly related to trade. What we have done is to look at the country and to decide that the mutual confidence and trust between the people and the government of this country called for boldness, called for imagination, not at the margins of our foreign policy, but at the heart of one of our most fundamental relationships.

This courage is reflected in all of our foreign policy. We have accepted the burden of interdependence. We have assumed its risks and pitfalls. We have taken up its challenges. At the same time we have confirmed the independence of our policy, the sovereignty of our actions and the freedom of our thought. Some argue that in signing a free trade agreement with the United States we have undermined our future. I say that we have freed ourselves from the past, a past characterized by uncertainty, restrictions and recurrent failures to abide by the rules of international trade. The future may always carry an element of bet. Immobilism guarantees economic, intellectual and moral recession. As the Prime Minister said before to the Canadian Exporters' Association, "We are talking about a more united people, in a more prosperous land, eager to face together the challenges of a new decade and a new century."

About a year ago I was speaking in, of all places, the Empire Club in Toronto. I referred to the danger of a renewed attitude in the United States of the kind that brought the Smoot-Hawley Act in the 1930's. Today, I can speak of a victory of the forces of trade liberalization against the forces of insularity.

I want to pay tribute to, of course, the Canadian team for having achieved a deal which is a true landmark in Canadian history. I also want to - very deliberately and carefully - salute the continued commitment of the administration of the United States, against the worst possible odds, to a freer trading system, not only between our two countries, but in the whole world as well. President Reagan has personally encouraged the pursuit of a trade agreement between Canada and the United States. To those who criticized the Prime Minister of Canada for saying we would sometimes give the benefit of the doubt to the United States, they can now see the strength of that approach today in what we have achieved in a distinctly unpromising situation. That was due, this accomplishment is due, in no small part, to the unique relationship that exists between Ronald Reagan and Brian Mulroney.

Canada depends on trade for economic prosperity. We need that more than almost any other industrial country in the world. We cannot run away from international circumstances. We have to secure and enhance our access to outside markets. We don't have any choice in that matter and it's a choice that most Canadians willingly accept. We have been negotiating freer trade on two fronts: with the United States to ensure unhindered access for 80% of our exports and internationally. About a year ago this month I was down in Uruguay leading the Canadian delegation that launched the Uruguay round of multilateral trade negotiation in the GATT. We have achieved a major breakthrough in Canada-U.S. trade and now we are going to carry that momentum onto the world scene, into the multilateral trade negotiations.

This is a critical dimension of the deal between Canada and the United States. This agreement is going to enhance our access to the largest and most dynamic market in the world. It is going to bring us improved productivity, competitiveness, prosperity. But it will also establish a pattern for multilateral trade negotiations. It will show the world that real free trade is still do-able in the 1980's. It shows that there is an American concept and agenda for trade liberalization despite the extraordinarily powerful forces of protectionism that are at work in the U.S., and it also indicates that new areas of economic exchange like services can be effectively addressed.

The highlights of the agreement are the following:

- . A phase-out of all tariffs between the two countries by the end of 10 years.
- . The creation of a unique dispute settlement mechanism with binding powers; one that guarantees predictable and impartial rules of the trade relationship - I'll come back to that one in a moment.

- . Freer trade in agriculture, wine and spirits, and energy products.
- . Enhancement of the auto pact and expanded access to purchases by governments.
- . An unprecedented code to set rules of the game for trade by the services industries.
- . Greater access for each other's investors. I should just note in parentheses that one of the phenomenon that had been growing in this country recently is the extent to which Canadians are investing in the United States. Foreign investment which we see as an American phenomenon happening here is also increasingly a Canadian phenomenon happening there and this agreement will help move this process along.
- . The exemption of cultural and social programs.

As the Prime Minister said, "While this is not perfect, the trade agreement meets our requirements and all our fundamental objectives.

It meets our bottom line."

The Premier of Ontario, after a meeting yesterday in Ottawa, is reported to have said that the mechanism to resolve disputes, and I quote his words as they appeared in the papers, "That mechanism is not any different from what we've got now". If that is what Mr. Peterson said, he is wrong, and let me tell you why.

First, today, American trade law is applied against Canada on the basis of American decisions alone, often influenced by American politics, increasingly influenced by American protectionism. The new system establishes a fair new judge - a tribunal, which includes Canadians, beyond the reach of the politics of either country. That is a major change in institutions, of great benefit to Canada. If you don't believe me, just ask anyone who has faced the threat of a U.S. countervail action.

Second, the decisions of the tribunal are binding.

Third, the U.S. administration is formally committed to fighting actions which jeopardize the approval process or undermine the spirit and mutual benefits of the Free Trade

Agreement, between the date the agreement was initialled - that's Sunday, October 4, 1987 - and the date the treaty come into force. That is a solemn and significant political commitment.

Fourth, the agreement explicitly provides for remedies for unfair trade practices.

Fifth, the Tribunal has the power to issue declaratory opinions about any proposed change in countervail or anti-dumping law after the agreement is in effect.

And finally, the two countries have set themselves seven years to seek new agreed bi-national rules, to go with the new bi-national Tribunal which the agreement puts in place.

Those are dramatic changes - a giant step away from the protectionism which threatens international trade, and which has increasingly threatened existing jobs in this country.

The Liberal Premier of Ontario may not remember the soft-wood dispute. I remember it, because it affected the vital interests of my province, as it affected the vital interest of yours and indeed as it affected the vital interest of Ontario. Our problem then was that the decision process was subject to American politics. If this Tribunal had been in place, guaranteeing fair judgements, Canada would have had little to fear in the soft wood dispute. Indeed, if this Tribunal had been in place, I believe the soft-wood action would never had been launched, because the Americans would have known they couldn't count on politics to win. And that will be a great big difference.

This agreement gives new assurance to our resource producers in the Atlantic Canada. In fact, the Atlantic region, with smaller manufacturing sectors, will gain proportionately more because of lower prices of imported manufactured goods. As you are well aware, the Atlantic Economic Council has done a thorough analysis of the impact of free trade and has concluded that the fishery, food processing and resource-based industries in this region stand to gain considerably from trade liberalization.

I know what trade means for New Brunswick. Exports account for 30% of your GNP and, because you are very efficient in the export sector, for 15% of employment in the province. In 1986, New Brunswick exported \$2.6 billion worth of goods and, as one would have expected, two-thirds of the province's exports go to the United States of America. New Brunswick exporters have faced until today a good many U.S. tariffs as well as non-tariff barriers such as the so-called trade 'remedies'

Prior to the agreement, employment and productivity prospects were being threatened in all regions of Canada. New Brunswick is especially aware of the danger: your fish, potatoes and electricity have faced the threat of U.S. actions in the past. It now can look at the future with increased confidence, for the agreement tackles those issues directly.

Of particular interest to this province, the agreement contributes to:

- . securing access on electricity;
- . reducing U.S. tariff barriers on agriculture and fishery products;
- . implementing a dispute settlement system which will be triggered by Canada whenever we believe the United States is improperly applying its anti-dumping or its countervail laws.

Even on what the Americans call the 'sacred' Jones Act denying us our cabotage rights in the U.S. we have started a process which could - I emphasize could - ultimately, lead to the dismantling of the provisions of that act at some future date.

The possibilities for this province are considerably enhanced by the agreement:

- . it allows New Brunswick to further diversify its industrial base and to capture growing opportunities in the service sector, particularly in neighbouring states, in New England;
- . it creates new opportunities for energy exports to the U.S.; and
- . it should encourage new investments by the U.S.A. here in New Brunswick while Canada would retain the right to screen really significant direct acquisitions.

All of the research to date overwhelmingly points to net gains in production, jobs and income for Canadians in this and all regions. We'll continue to be able, under the agreement, to pursue and promote our programs of regional development in Atlantic Canada, and to continue with initiatives such as the Atlantic Development Agency.

This doesn't mean there will not be adjustments to be managed among industries and workers. Adjustment is a natural process of the Canadian economy. One fifth of the Canadian

population of working age changes jobs each year. That's not something new, that's what is happening before a trade agreement in this country. Nearly half of the manufacturing firms active today did not exist a decade ago. We have decided to phase in the agreement over a ten year period and we've retained the full right to establish a safety net for any workers that are displaced. We didn't do this just to ensure that our workers and our firms learn to cope with the down side of economic change. That would be a wrong, faint-hearted attitude. Instead, we are giving Canadians the time they need to gear up and take advantage of the far greater opportunities provided by a changed economic environment.

I want to talk about one aspect of the arrangements concluded on Sunday. I want to talk about investment. The debate about investment is not new in Canada. Everyone agrees that Canada needs some control over foreign investment. We retain control under this agreement. That's not what's at issue. The issue is whether we control investment so tightly that we drive away people that want to make Canada grow, more precisely whether we drive away people that want to make Atlantic Canada and Western Canada and Northern Ontario grow. For years in this country we had a regime, the Foreign Investment Review Agency, FIRA, which cost Canada jobs and cost Canada growth. And the cost was highest in regions like our's which needed foreign investment most. I remember when the Foreign Investment Review Agency Act was being brought in. The Premier of this province went to Ottawa and made it clear to the committee, saying if that act of yours, dreamed up by people who were trying to protect New Brunswick against growth, if that act of yours takes away a single investment in this province of New Brunswick, we'll take you to court! There's always been debate about that kind of issue. Well, we ended FIRA, and taken other acts to attract investment and to attract the jobs that investment brings.

This agreement will attract more American investment. That means it will create more Canadian jobs, and indeed, create more of the growth in Canada that lets us do the things that guarantee our sovereignty, that lets us build a distinct society here in the northern half of North America. Growing economies can afford more expenditures on culture, on child care, on regional development, on help to our elderly, on the assertion of our claims in our North. Those are the benefits of growth. Those are the benefits of investment.

But there's another dimension to this argument - and it concerns how broadly you define the national interest. For this government, Canada's national interest involves the whole country, not just the rich parts of it. It involves Canadians who are out of work and want jobs, not just those who sit on the executive of powerful unions.

If you were from Alberta, you would understand the human cost of the protectionist policy of the National Energy Program. If you were from New Brunswick, you would understand the human cost of the protectionism of the Foreign Investment Review Agency. The opponents of this agreement want to take us back to that philosophy of FIRA and of fear - the view that Canada is too frail to handle investment, too weak to compete in the world.

And what to these Canadian protectionists want to protect? Well, when they oppose this agreement, they want to protect New Brunswick against growth; they want to protect Alberta against jobs. We've had enough of that. Some parts of Canada may be rich enough to indulge in that luxury. Most of Canada needs growth and wants jobs and is perfectly confident that Canada can compete in the world.

Modern Canadian nationalists define this nation as including New Brunswick, including Alberta, including the North, including the people who need jobs, the youngsters who want a future, the entrepreneurs who want to prove that to be a Canadian is to be the best in the world. And that is what the Trade Agreement is about.

What this debate is about is the quality and confidence people have in this country, this old Canadian city - built on confidence of Canadians in our ability to trade with the best, not just in this country, but the world. It is the history of Saint John, the history of New Brunswick, it is the history of Canada. That's a history that people became a little timid about

for a while. This is a new era, a new time in the country. I can take all the manufacturers and entrepreneurs across this province and across this country. I have no doubt about your ability to compete in the North American market and no doubt about your ability to compete in the world. We are a very strong country. The only question is how much confidence do we have in ourselves. Yes, this government has made a judgement about that. We believe that this is a country that is full of confidence in itself and full of the ability to beat the competition anywhere in the world.

Of course, we had to do that, the country knows, because to do anything else is to wither. We have no fears about our ability to stand strong before the world. We started with our largest trading partner. We've done that. The challenge is now to make sure that this agreement and what falls from it continue to work and to carry that issue into the wider world. I have no doubt we have taken a historic decision. When we will look back upon it in years to come, it will appear as important

for the future of this country as other great decisions we have taken in the past.

Sir John A. MacDonald, Sir Wilfred Laurier, John Diefenbaker and others did not back away whenever the challenge was to move the country forward, just because it was controversial. We have now put forward our vision of what this country can become. I very much welcome the opportunity to meet with the many Canadians whom I know to share this confidence in our country.