



Minister for  
International Trade

Ministre du  
Commerce extérieur

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# STATEMENT DISCOURS

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Speaking notes for the  
Honourable Pat Carney,  
Minister for International Trade,  
to the National Conference of  
Editorial Writers

VANCOUVER

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Canada

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Good afternoon, ladies and gentlemen.

When I looked at your conference program today, the first thing I noticed was the title of my speech: "Where our Countries Are Going."

First, let me say I didn't write the head.

Second, let me add I don't know at this point where our two countries are going. But I do know where I want us to go.

We are engaged in the most historic trade negotiations ever undertaken between two countries. We are either going to succeed, or each country in its own way is going to fail to meet its objectives.

The Canadian objective is to enter into a free trade agreement with its largest customer, the United States, in order to expand markets, create jobs and enhance our national security.

The American objective is to enter into a free trade agreement with its largest customer in order to expand markets, create jobs and show us all America can maintain its role as a world leader in the international trading system.

Both objectives are mutually supportive. Both are mutually obtainable. Both are necessary in our mutual interest.

But we need rules to make it work. We wouldn't be in the middle of a pennant race between our Blue Jays and the Detroit Tigers if they hadn't agreed to play under specified rules with fair, impartial umpiring.

On the bigger game of trade, these negotiations are an attempt to establish the rules.

This week our negotiators hit a stalemate in the third attempt this century to reach a mutually beneficial, fair, and balance free trade arrangement with each other. The talks are suspended. I simply cannot tell you right now if it is a rain delay, a postponement, or a cancellation.

What went wrong?

Basically, I think it is a failure to communicate with each other.

What we need is a view of these negotiations that meets the commitments of President Reagan's letter to Prime Minister Mulroney nearly two years ago when the President wrote:

"...I believe our objective should be to achieve the broadest possible package of mutually beneficial trade barrier reductions. If history has taught us one thing", added the President, "it is that the freer flow of world trade, the stronger the tides for human progress and peace among nations".

We believe in that sentiment but it is not clear if America, in these days of protectionism, still shares the vision of its President.

Once, both countries did.

Canada and the U.S. were founding members of the GATT and are both strongly committed to the liberalization of trade. That longstanding commitment has led to the largest bilateral trading relationship in the world. America does more business with Canada than with Japan or West Germany - a fact which surprises U.S. congressmen and even some of our Canadian politicians. As Prime Minister Mulroney has said, "we have a history of fair trading and a history of generating prosperity through fair trade. (Our trade initiative with the U.S.) is designed to strike a fair deal with the United States".

Our trading relationship has deep historical roots. In 1854, the U.S. entered into a trade reciprocity treaty with British North America. That was unilaterally terminated by the U.S. at the conclusion of the Civil War.

Trade reciprocity was subsequently a frequent subject of negotiations between our two countries. In each case, special interests won out at the expense of the national interests of both countries.

The closest we came to comprehensive trade reciprocity was in 1911 when the Liberal Prime Minister, Sir Wilfrid Laurier, negotiated a deal with the Taft administration. Though the U.S., including Congress, was willing to go ahead with the deal, strong opposition grew in Canada. Laurier's government was defeated in a general election that year, defeated on this issue by a coalition of protectionists.

As a member of Prime Minister Mulroney's Cabinet, I can tell you we hope history does not repeat itself.

Canada and the U.S. are still at a point where we can realize that historic dream of freer trade. These negotiations are of importance to both countries, despite the fact that public discussion and editorial coverage are much more intense on this issue in Canada than in the U.S.

Unfortunately, this leaves most Americans at a disadvantage, without much information on what is an important economic issue affecting Americans as well as Canadians.

As editorial writers, you play a major role in informing the public. In discussions of this key issue, I would like to see Americans participate more actively. Some recent American editorials are furthering the debate.

It is unfortunate that so few Americans recognize the size, scope and complexity of our bilateral trading relationship. The U.S. and Canadian economies are highly integrated. In fact, this close relationship goes far beyond trade and economics.

We are true North American partners:

- in Norad
- in NATO
- in the GATT
- in the International Monetary Fund
- the G-7
- and many other international organizations.

I would venture to say that the strength of this partnership is vital to the national security of both our countries. A strong, economically viable northern neighbour is vital to America's security and a strong, economically expanding America is essential to Canada's well-being.

We believe that a free-trade agreement will further strengthen that partnership. We must not allow trade irritants to jeopardize that partnership. Yet, that is precisely what has happened with U.S. trade actions against Canadian softwood lumber and potash, and Canadian action against U.S. corn.

We have been hurt.

Our exports have been hurt.

And, most importantly, the Canada/U.S. relationship has been hurt.

If unchecked, such a protectionist trend can only lead to animosity and strident exchanges. For example, when the U.S. International Trade Administration slapped on duties of up to 85% on Canadian potash, Canadian producers and the Saskatchewan government were outraged, calling the action "simply illogical, grossly unfair, absurd and surprising".

U.S. corn producers and the U.S. government reacted the same way when Canada countervailed U.S. corn. U.S. Trade Representative Clayton Yeutter called that action unwarranted and astounding.

I must admit that I too have been guilty of this kind of rhetoric when I called the U.S. action against Canadian softwood lumber "artificial and contrived" -- of course, in my case, I was justified.

These kinds of exchanges are inflammatory and can be destructive. These are the exchanges of opponents, not allies. These are the exchanges of partisans, not partners.

Canadians understand that the U.S. wants fair trade. Canadians understand that the U.S. is grappling with a large trade deficit. What Canadians do not understand is the solution proposed by Congress -- a trade bill that will cripple America's trading partners -- and America's trading industries.

In light of legislation currently before Congress, I suggest that congressmen who claim to be fair traders have a lot to prove.

As the Wall Street Journal said this week, "the omnibus trade and competitiveness act of 1987 looks less like a fair-trade bill than it does an omnibus bonanza for any special interest with a checkbook and a congressional phone list".

I applaud this kind of editorial realism because, frankly, it tells it like it is.

Many trade remedy actions amount to little more than caving in to special interest. While they are allegedly intended to "level the playing field", they may be used to tip the balance against foreign competitors.

We are not Korea. We are not Taiwan. We are America's best customer, neighbour and ally. We expect better treatment than we have been receiving. A healthy and strong Canadian economy contributes to America's national security.

And Canada is not a basket case. We have a strong and growing economy.

The Organization of Economic Co-operation and Development reports that we were number one in economic growth among the major industrial countries last year.

In percentage terms, we created more jobs in both 1986 and 1987 than any of the other 6 members of the group of 7.

Over the past 3 years we cut, again in percentage terms, more people off our unemployment roles than any of those countries - the United States, the United Kingdom, West Germany, Japan, France or Italy.

And we are America's largest and fastest growing export market.

In the first two quarters of this year, U.S. exports to Canada increased by \$3.5 billion (U.S.) over the same period last year. If this trend continues, last year's \$13.3 billion (U.S.) merchandise trade surplus in Canada's favour would be reduced below \$12 billion (U.S.). The difference will be almost entirely the result of an increase in U.S. exports.

And when you add in our trade in services, our current account is roughly in balance.

As far as the U.S. trade deficit is concerned, Canada is not part of the problem. Trade expansion with Canada is part of the solution.

So how do we get there: through a free trade agreement that is mutually beneficial to both countries.

What does Canada want?

That has been on the record for nearly two years -- from the very beginning of this initiative.

Our Prime Minister said then: "It is obvious that we must find special and direct means of securing and enhancing the annual \$180 billion of two-way trade with the United States."

But he also said the essence of the Canadian difference would be maintained: "Our political sovereignty, our system of social programs, our commitment to fight regional disparities, our unique cultural identity, our special linguistic character" would not be negotiable.

That was our position at the beginning of the negotiations, and it is our position now.

Last Saturday, the Prime Minister sent his Chief of Staff to the White House to reiterate these basic positions.

These principles are the bottom line for us.

There are five of them:

1. Clear rules on what is fair or unfair trade practices with disagreement subject to impartial, binational and definitive resolution.
2. Objective interpretation of clear general rules subject to speedy resolution under agreed dispute settlement procedures.
3. Liberalizing the access for each other's agricultural and food products in a balanced way.
4. Changes in automotive trade rules only if the changes potentially increase production and employment in both countries.
5. Removal of virtually all tariff and non-tariff barriers between the two countries with no new barriers introduced.

Let there be no mistake: without them there can be no deal.

And the most crucial of them, for Canada, is an effective and definitive way of settling disputes.

Without that, there is no secure access to the American market.

Canadians believe, with some justification, that Americans unfairly apply their trade remedy laws against our exports. We want to remove this from political protectionism.

When the negotiators met this week in Washington, there was little or no movement from the American side to meet our basic concerns.

That is when Ambassador Reisman suspended the talks. They were going nowhere.

This was seen in some circles as a negotiating ploy.

It was not. We are serious.

I sincerely hope the negotiators will be back at the bargaining table soon.

For it to happen, there must be some indication from the other side that they will address those basic concerns. Only then will we instruct our negotiators to return to the table.

I can report that discussions at various levels have taken place although we have yet to receive any proposals.

For Canadians, a fair and balanced agreement would stimulate output, improve productivity and create up to 350,000 jobs in Canada by 1995, according to the Economic Council of Canada. That is why the majority of Canadians support this initiative. They can see the opportunities in a balanced and fair agreement.

That is the Canadian side of the ledger. What about the U.S. side?

First, two million American jobs are on the line, jobs directly dependent on exports to Canada.

Second, America's trading future beyond North America is at stake. As The Economist pointed out this week, "America needs an agreement with Canada to demonstrate in the GATT round that countries can agree on trade rules covering services, investment and intellectual property."

Third, America's own export markets, both in Canada and off shore, is at risk.

If the U.S. Trade Bill is passed, Americans should expect their trading partners to enact mirror legislation to protect their own interests. Congress should remember that it plays a leadership role in the world economy and that what it does may well be copied elsewhere. Under mirror legislation the U.S. would find its own export activities affected on a number of fronts.



For example, U.S. corn exports. The U.S. currently has 64 subsidy programs in place for corn. In Canada's countervail of U.S. corn exports, only four programs were penalized.

Under mirror legislation, Canada could countervail 75 percent of those subsidy programs rather than 6 percent.

But that's not all. The U.S. has a wide array of subsidy programs in virtually every sector of the economy. Do not think that these would go unnoticed or untouched.

Willy de Clercq, the European Community's top trade official, said last week that, if the Omnibus Bill passes, the Community will be forced to retaliate. He also said that this legislation will pull the plug on the current GATT round which was launched with great expectations in Uruguay a year ago.

What U.S. legislators, in fact legislators around the world, must keep in mind is that their actions today will determine the shape of the international trading system well into the 21st century.

What we need is forward-looking trade policy. As Marshall McLuhan so aptly put it, we must not march backwards into the future.

What we need is a new spirit of enterprise in North America, one which values partnership above partisanship. Twelve European countries have demonstrated the benefits of partnership without losing their identity: sovereign nations working together to bring growth, prosperity and jobs to their citizens.

What we need is the grand vision, on both sides of the border, of a North American economic order where, in the words of Canadian scholar Maxwell Cohen, certain institutional mechanisms would be essential to protect independence while jointly operating the emerging system.

Simply put, do our political leaders have the vision to see past the next election.

This is the message I think Americans and Canadians should consider. As editorial writers, you are in a privileged position to influence public opinion, to make the case for liberalized trade.

Today I challenge you to take up the issue of freer trade between Canada and the U.S., in the best interests of our two countries and in the best interests of the global trading system.

As I said when I began my remarks, we are all in a kind of World Series as far as international trade is concerned. If we strike out in these Canada/U.S. negotiations, it may be game over for our current attempts to expand and improve the world trading system.

This is no Blue Jays-Tigers pennant race. In this game, we will all be winners or we will all be losers. It's that simple.

Thank you.