

**THE CANADA-UNITED STATES  
FREE TRADE AGREEMENT**

**A Report of the House of Commons Standing Committee**

**on**

**External Affairs and International Trade**

**on**

**The Elements of the Agreement**

**Tabled in The House of Commons**

**on October 5, 1987**

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**December 1987**

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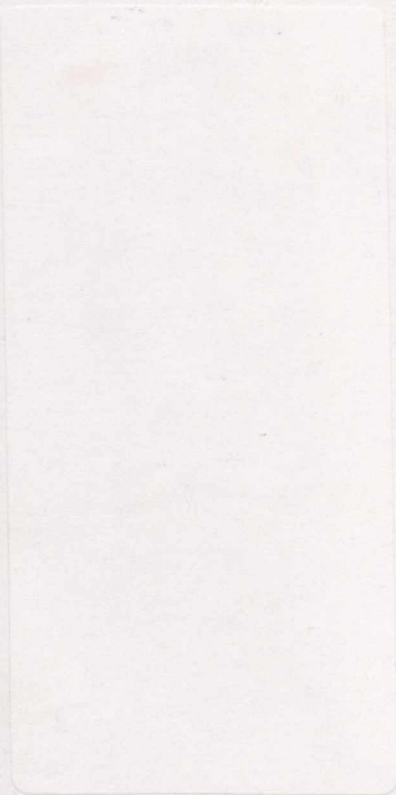


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HOUSE OF COMMONS CHAMBRE DES COMMUNES  
No. 46  
Wednesday, December 9, 1987  
Thursday, December 10, 1987  
Chairman: William C. Wintergalt  
Président: William C. Wintergalt

**THE CANADA-UNITED STATES  
FREE TRADE AGREEMENT**

External Affairs and International Trade  
Affaires étrangères et du commerce extérieur

RESPECTING  
**A Report of the House of Commons Standing Committee**

**on**

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HOUSE OF COMMONS

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*Minutes of Proceedings and Evidence of the  
Standing Committee on*

## External Affairs and International Trade

*Procès-verbaux et témoignages du Comité  
permanent des*

## Affaires étrangères et du commerce extérieur

RESPECTING:

Pursuant to Standing Order 96(2) consideration of the Canada-U.S. Free Trade Agreement tabled in the House of Commons on October 5, 1987

INCLUDING:

The Fourth Report to the House

CONCERNANT:

En vertu de l'article 96(2) du Règlement, étude de l'Accord de libre-échange entre le Canada et les États-Unis déposé à la Chambre des communes le 5 octobre 1987

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Le Quatrième Rapport à la Chambre

Second Session of the Thirty-third Parliament,  
1986-87

Deuxième session de la trente-troisième législature,  
1986-1987

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**THE STANDING COMMITTEE ON  
EXTERNAL AFFAIRS AND  
INTERNATIONAL TRADE**

INTRODUCTION

BACKGROUND TO THE AGREEMENT

THE HEARINGS

has the honour to present its

COMMON GROUNDS

THE MAJORITY VIEW

**FOURTH REPORT**

In accordance with its mandate under Standing Order 96(2), your Committee has heard evidence and has studied the Elements of the Canada-U.S. Free Trade Agreement tabled in the House of Commons on October 5, 1987 and reports the following:





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## INTRODUCTION

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On October 4, 1987 the Canadian government and the United States Administration agreed in principle on the elements to be included in a Free Trade Agreement (FTA). The next day, on October 5, the document entitled Canada-U.S. Free Trade Agreement: Elements of the Agreement was tabled in the House of Commons. At that time, it was indicated that lawyers from the two sides were preparing a detailed legal text consistent with the Elements of the Agreement.

On October 26, the Standing Committee on External Affairs and International Trade decided to proceed immediately to hold hearings based on the Elements of the Agreement and to report its initial findings on the Free Trade Agreement to the House of Commons by December 15, 1987. The Chairman was urged by members of the Committee to obtain the final, legal text as soon as possible. Since the urgency with which the hearings were being held was the subject of controversy within the Committee and questioned by a number of witnesses, it is important to describe the negotiating process and the time table in some detail.

### *The Fast Track Procedure*

Under the U.S. Constitution Congress, not the President, is responsible for international trade. However the U.S. Trade Act of 1974, which entered into force on January 3, 1975, gave the President a special fast track negotiating authority to conclude trade agreements over a 13-year period. This special delegation of negotiating authority by the Congress expires on January 3, 1988. The 'fast-track' procedure has two important features. First, no amendments are permitted, either in Committee or on the floor of the Senate or the House of Representatives, to an implementing bill giving effect to a trade agreement and to the consequent changes in U.S. laws: the approval of the implementing bill requires only a favourable vote by a simple majority of those present in both Houses. Secondly, the vote must be taken within a fixed time frame.

The procedure was originally introduced in order to give greater assurance to negotiating partners of the United States that agreements entered into by the President would be enacted into law without change. It is generally recognized that the lack of party discipline in the U.S. legislature makes it



virtually impossible to gain approval without amendment or deletion for any reasonable trade agreement, bilateral or multilateral. Since agreement must involve compromises, there will inevitably be losers as well as winners. As Gordon Ritchie, Deputy Chief Free Trade Negotiator, explained:

"After (January 2, 1988) the Administration loses its fast track. What that would mean is that, if legislation were introduced into the Senate and the House, it would be subject to all the log-rolling, decking-out of the Christmas tree that the U.S. process can generate, and it would be simply an impossible process. In the judgement of the government that would not be the kind of negotiation it would be wise or acceptable for Canada to enter into".

The first 'fast-track' timing deadline is that the President must notify Congress of his intention to sign a trade agreement at least 90 calendar days prior to entering into it. This was done on October 3, 1987, the last possible day such a notice could have been given under the present "fast-track" authority before its expiry date. After entering into the Agreement, which must be signed by January 3, 1988, the President must follow up with the submission to both Houses of Congress of the text of the Agreement and the necessary implementing legislation. While there is no statutory requirement as to how soon after signing the Agreement the President must submit the implementing bill to Congress, the House of Representatives has up to 60 legislative days and the Senate up to 90 legislative days after the bill's submission either to approve or reject the Agreement and the bill. An additional complication is that 1988 is a major U.S. election year and the concluding months of the 99th session of the U.S. Congress may well see protectionist forces in the Congress become more active.

What this means is that there will be a period of up to six or more months after an agreement is signed by the President during which the U.S. Congress will be considering the Agreement. Similarly, enabling legislation will have to be introduced into the Canadian Parliament and there will be an extensive period for further discussion on the implementation in Canada of the Free Trade Agreement.

### *The Hearings*

The Free Trade Agreement, if implemented by both countries, will affect Canadians and it is therefore desirable that the people be well-informed and closely consulted. Subject to the severe time constraints, the Committee sought a broad spectrum of opinion. Over a five-week period the Committee held a series of intensive hearings in Ottawa and in eleven cities, one in each of the provinces as well as in the North-West Territories. Time did not permit a visit to the Yukon as well, but representatives of the Yukon government were invited to testify in Yellowknife—and did so. Almost 200 witnesses appeared

before the Committee. In some cases they were individuals, well known or not, who spoke from their own experience and expressed personal concerns. In many cases the witnesses spoke on behalf of major economic, social and cultural organizations and interest groups, which represent millions of Canadians. These included national, regional and local business and labour organizations, individual business people, citizen's coalitions, and senior citizen, women's and anti-poverty groups.

To ensure fair and balanced hearings the government and opposition members of the Committee shared equally in the choosing of witnesses. The account of the hearings presented in Chapter III includes enthusiastic support for and intense opposition to the proposed Agreement, as well as many views in between. All members of the Committee can agree on at least one thing: free trade is a subject on which many Canadians have strong and varied opinions.



## BACKGROUND TO THE AGREEMENT

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The debate in Canada over free trade with the United States has a long and stormy history, going back to the mid-nineteenth century at least. In 1854 the two countries implemented the Elgin-Marcy Reciprocity Treaty that permitted the free exchange of natural products such as fish, animals, butter, cheese, coal, flour, grain and lumber. The agreement was in effect until 1866 when it was abrogated by the United States. During Sir John A. MacDonald's tenure as Prime Minister, sporadic trade discussions were held between Washington and Ottawa, but it was not until 1911 that serious discussions about the creation of a comprehensive trade agreement were held once again. In that year the government of Sir Wilfred Laurier negotiated an agreement with the United States. However, the government fell in a subsequent election and the new Conservative government of Sir Robert Borden refused to implement the treaty.

These early attempts at Canada-United States free trade illustrated just how politically sensitive the issue was. In 1948 MacKenzie King's government considered and then decided against the negotiation of a comprehensive bilateral agreement. However, with the bitter memory of the disastrous consequences of pre-war protectionism still fresh in everyone's mind, Canada and the United States became active supporters of multilateral trade liberalization through the GATT, the General Agreement on Tariffs and Trade. It is generally acknowledged that the early successes of the GATT were a major contributing factor to post-war prosperity in the western industrialized nations.

The past forty years have seen Canada-United States trade emerge as the single largest two-way trading relationship in the world. Each country is the other's best customer, with Canada buying about 25 per cent of U.S. world-wide exports and the United States accounting for about 80 per cent of Canadian foreign sales. The United States market is of fundamental importance to Canada where fully one-quarter to one-third of GNP and employment are generated by exports. There are few countries in the world whose prosperity is so directly tied to trade.

Progressive reductions in Canada-United States tariffs over the past forty years has served as a powerful stimulant for two-way trade. Canadian tariffs



on dutiable imports have fallen from an average of 21 per cent to about 9 per cent while, on the U.S. side, the same tariffs have fallen from 32 per cent to about 6 per cent. However, it should be noted that significant trade and tariff protection still remains, particularly on some consumer products. Moreover, as tariffs have come down, other impediments to trade—non-tariff barriers—have sprung up. By the early 1980s these were fueling trade wars around the world. The Canada-United States relationship, important as it was to both partners, was by no means immune from these manifestations of resurgent protectionism, particularly as the U.S. Trade deficit grew from U.S. \$9.1 billion in 1982 and to U.S. \$140.6 billion in 1986. Indeed the larger the trading relationship, the more likely it is that irritants will develop.

During the 1970s the first post-war public advocacy of bilateral free trade began to appear. The Economic Council's annual report for 1975 entitled Looking Outward recommended accelerated trade liberalization and was followed in 1978 and 1982 by reports of the Senate Committee on Foreign Affairs endorsing bilateral free trade. In 1985 the report of the Royal Commission on the Economic Union and Development Prospects for Canada included strong advocacy of bilateral free trade with the United States.

The growth of protectionism in the United States had a bearing on the initiative taken by Prime Minister Trudeau's government to launch discussions with the United States on possibilities for freer trade in a number of specific product areas, including steel, textiles and apparel, urban mass transit, and computer services. These discussions on "sectoral" free trade began in Washington in December 1983 but they soon encountered serious problems. It proved difficult to establish any reasonable balance of advantage for the two sides in particular sectors—either one side or the other stood to gain. The process tended to bring out opponents of trade liberalization in the sector under discussion without attracting a counter balancing influence. It also became evident that the two countries would have to seek a series of waivers from the GATT contracting parties and that these would likely be contested. Sectoral arrangements fall short of the kind of comprehensive free trade arrangements called for by the rules in GATT article XXIV. Japan and the EEC both lobbied in Washington against the proposed sectoral deals.

Prime Minister Mulroney's government, after taking office in September 1984, shifted the agenda away from the sectoral approach. It proposed instead that the two countries turn to the negotiation of a comprehensive agreement of the kind allowed by the GATT rules. Moreover, such negotiations, by offering offsetting gains and losses across many sectors, made it possible for both parties to take an overall view of mutual benefits. The Canadian initiative received a positive response in Washington, where frustrations existed about the trade policies of the other major trading partners of the



United States. An agreement with Canada seemed to the U.S. Administration a potentially useful model for global trade liberalization on a multilateral or bilateral basis.

In September 1985, the Canadian government announced that it would pursue a new trade agreement with the United States, with the twin objectives of opening up and securing access to the United States market. The negotiations began in May 1986 and, over the course of sixteen months, twenty-three formal negotiating sessions, some lasting as long as a week, were held in the two countries. In addition, countless more detailed and technical negotiating sessions took place, involving more than a dozen working groups responsible for specific sectors and issues. Throughout the negotiations there were several meetings at the level of First Ministers, frequent consultations with provincial trade representatives and meetings with 15 Sectoral Advisory Groups representing Canadian industry, labour and other groups. These negotiations led to the signing of the Elements of the Agreement on October 4, 1987.

### *The GATT Context*

Among the most important issues raised by this Agreement is its relationship to the multilateral trading system and the GATT. Within the GATT framework, a variety of free trade areas and other regional trade groups have been formed during the post-war period in Europe (EFTA), the Caribbean (CARICOM) region, Latin America (LAFTA), Australasia and elsewhere. Article XXIV of the GATT permits the formation of such groups, as a matter of right, under specified conditions. All free trade agreements involving GATT members have been subjected to close examination in the GATT. In many cases in recent years, the GATT working parties on these regional trade arrangements have failed to reach consensus, but they did not go so far as to oppose their formation. Canada and the United States have generally encouraged the formation of such groups, or at least have not actively opposed them, on the ground that trade liberalization on a regional basis will contribute to the economic growth of the members or that they serve broad political and security interests.

### *The Elements of the Agreement*

The proposed Agreement goes beyond the kind of free trade arrangements envisaged by the architects of the GATT rules. The terms and provisions of the bilateral agreement represent a response to the special and unique conditions surrounding Canada-U.S. trade and economic relationships: the massive volume of cross-border trade in a full range of goods and services; the close and intricate pattern of the bilateral relationship; and the inevitable



frictions and strains in the relationship which in many cases have existed for long periods of time. Many elements of the bilateral agreement represent efforts to deal with these issues which include, among others, two-way flows of private investment, the special problems of trade in energy products, production and trade in automotive products, the procurement of goods and services by governments and the need for an improved dispute settlement mechanism. It is noteworthy, and perhaps to be expected in view of controversy in the past over the National Energy Program (NEP) and Foreign Investment Review Agency (FIRA) that some of these elements of the Agreement, as distinct from the removal of tariff barriers, are the most controversial items in the free trade debate.

## THE HEARINGS

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Many witnesses, expressed strong support for the principle of free trade with the United States and for the Elements of Agreement tabled in the House of Commons on October 5. Many other witnesses, expressed apprehension or strong opposition to the proposed Agreement. The differences sometimes sprang from analyses of the Elements of the Agreement, but also arose from convictions about the broad economic and other consequences of free trade for Canada. As more than one witness put it, the differences sometimes appeared to express fundamentally differing visions of the economic future of our country.

It is not easy to characterize the approach of witnesses, but several broad positions did emerge during the hearings:

- (a) those who supported the Agreement, with or without reservations;
- (b) those who favour free trade with the United States, but who rejected this particular agreement as being deficient or because it goes further than a conventional free trade agreement;
- (c) those who seek multilateral rather than bilateral free trade;
- (d) those who are uneasy about free trade, bilateral or multilateral; and
- (e) those who remain undecided, sometimes because of lack of information.

Such categories, however, do not bring out the many nuances in position which individual witnesses or groups exhibited. Major differences in opinion occurred between groups, such as business and labour, but there were also important divisions within economic sectors. Some business representatives expressed opposition to particular provisions of the Agreement although the business community as a whole was strongly supportive. Representatives of Canadian agriculture were notably divided, with some expressing strong support and others opposition.

The absence of a final text left both witnesses and committee members at a disadvantage. While the Committee had been told by government representatives that the final text would not be substantially different from the



Elements, nonetheless it was particularly difficult for industry groups to take a position in the absence of a detailed text. As a result, many witnesses broadly favouring the Agreement as well as some who were critical of important elements in it had no alternative but to be tentative in their judgments and to focus on their reservations or concerns. It was especially hard, under these circumstances, for organizations with large memberships to take firm positions.

In the absence of the final text, the Committee turned for clarification to the testimony of the Minister for International Trade, the Honourable Pat Carney, and of Ambassadors Reisman and Ritchie, the Chief and Deputy-Chief Free Trade Negotiators respectively. While their testimony was given in public, transcripts were generally not available in time to be studied by witnesses prior to their own testimony. Nevertheless, since the information conveyed by the Minister and officials in several sessions with the Committee often informed the positions taken by Members in their questioning, this report draws on it in the following review.

The Committee heard over 100 hours of testimony. In printed form this constituted 2271 pages of the Committee's records. Accordingly it is not possible for our report to convey all of the detail or flavour of the hearings. However, we have attempted to put down in a fair and balanced way, the main arguments and concerns raised by witnesses.

### *Elements of the Agreement*

As will be evident from what follows, some provisions of the Elements of the Agreement received far more attention from witnesses than did others. The dispute settlement mechanism generated intense debate and there was considerable testimony on the agriculture, automotive and energy sections of the Agreement as well, particularly by witnesses who represented interest groups or organizations in those sectors of the economy. The headings below correspond to the main sections of the Elements of the Agreement. In each case, we begin by describing the testimony of the Minister and/or officials of the government and then follow with the testimony of the witnesses.

#### **Agriculture**

##### **(A) Officials**

According to Ambassador Ritchie, the FTA contains "a very large agreement" on agriculture, covering tariffs, import quotas, licenses and other import controls, the recognition of each other's meat inspection systems, and export subsidies to one another. The inclusion of provisions limiting or eliminating export subsidies to third markets was "not realistic" because the



problem is an international one to be dealt with at GATT and in the Uruguay Round. Tariffs will be eliminated on all agricultural products, within various time periods, subject to the continuation of several non-tariff barriers. For example, global import quotas will be increased to the level of the past five-year average for chickens, turkeys and shell eggs. However, these and other import quotas related to supply management systems are preserved within the Agreement as is the ability of the two governments to introduce new regimes.

In the case of import licenses for grains—wheats, oats and barley—these will be removed, “if, as and when the support levels are equivalent in both countries”. This provision is necessary because “when you retain the supply management regimes while reducing tariffs, you could potentially put food processors at a cost disadvantage because they would be obliged to draw upon higher priced primary products in their activities”. Canada, however, did not agree to remove import licenses “under circumstances where the American product is significantly more subsidized”. Wheat, relative to oats and barley, is expected to be a problem for some time because of this. Ritchie said government assistance programs will be examined for wheat producers whose markets have been based on the two-price wheat regime and therefore might be disproportionately affected by adjustments. He also pointed out that the U.S. agreed to tighten up existing rules on imported products containing sugar, giving Canada relatively more access for those products. Ambassador Ritchie further explained that both countries are exempted from each other’s meat import laws and that each side will recognize the other’s meat inspection systems. Thus, pending U.S. legislation to introduce a system that would have cost about \$300 per truck, thereby causing a direct competitive disadvantage for Canadians, will no longer be applied to Canada.

#### (B) Witnesses

The first representative of Canadian agriculture to appear before the Committee, Mr. Morley Shepherdson, the Vice-Chairman of the Canadian Cattleman’s Association (CCA), explained that the U.S. market is, and will continue to be, the Canadian beef cattle industry’s “most significant market”. Historically, the balance of the two-way trade has generally been in Canada’s favour; by comparison beef exports to other markets “are small and inconsistent.” As transportation costs increase, north-south trade will increase in a free-trade environment. The CCA would prefer to have tariff reductions accelerated because “when restrictions are applied to Canadian beef exports, the industry is forced to switch to exporting live animals, resulting in a loss of value-added in this country.” Mr. Bill Vaags, President of the Canadian Pork Council, made similar points, arguing that on the question of free trade, “we have no choice; we need it”. He said that if any region of Canada, particularly



Manitoba, were to produce only enough pork for Canadian self-sufficiency, approximately 70 per cent of Canadian pork production would have to end.

Mr. Fred Mitchell, President of Intercontinental Packers, said that he and his American counterparts compete under similar costing systems, selling programs and management structures. The main difference is tariff and non-tariff barriers, the impact on competition being significant enough to lead Canadians to set up plants in the United States:

One of the reasons we put a plant in Los Angeles was because we were concerned about the non-tariff barrier on added moisture on processed meats. We would have been much happier packaging our bacon and our hams in Saskatoon but because the border inspection is so picky on added moisture, we could not run the risk of shipping packaged product down there; we had to slice and package it in Los Angeles. If we had free trade, we would not have to be concerned about those border violations, about that non-tariff barrier area.

Mr. David Adams, President of the Canadian Meat Council, sees the provisions on meat inspection and the harmonization of standards as particularly important because "technical barriers to trade tend to increase when protectionist concerns are high". The Council supports the FTA because "an enhanced trading relationship in meat with the U.S. is the basis for achieving the value adding advantages to Canada of greater livestock output".

Mr. Wayne Easter, President of The National Farmers Union, expressed strong opposition to the proposed Free Trade Agreement. He argued that any further integration of Canada's agricultural sector into the North American market would be detrimental because, hitherto, the sector has developed around supply-managed programs. He cited, in particular, the Western Grain Stabilization Act, the Western Grain Transportation Act, the Canadian Wheat Board, and other marketing boards. Easter argued that while the marketing boards will remain, their eventual function will be primarily administrative as the Canadian and American governments search for a "level playing field". The elimination of the Western Grain Transportation Act and Crow benefit payments on mill feeds and rapeseed meal will lead to lower prices to farmers as processors attempt to remain competitive in the U.S. market. This will put further pressure on marketing boards as the U.S. will become the price setter for supply-managed products. The position of the U.S. as price setter will be strengthened as subsidies are diminished, rules on countervailing duties are established and a "level-playing field" is achieved. The outcome will be lower returns to Canadian farmers and "rural disaster" for many rural communities in Canada.

Mr. David Hueppelsheuser, Vice-President of the Western Barley Growers Association, disagreed. He said changes to the Western Grain Transportation Act will lead to direct payments to farmers. "This will be a big step forward



toward the diversification of western Canadian agriculture and the expansion of our domestic market." Mr. Bill Duke, President of the Western Canadian Wheat Growers Association also disagreed with some of Mr. Easter's assertions. He said the FTA will neither jeopardize the operations of The Canadian Wheat Board nor will it "allow the importation of grain from the United States while subsidy levels are not equivalent between countries".

Mr. Don Knoerr, President of the Canadian Federation of Agriculture, explained that the Canadian dairy and poultry industries are structurally different from their American counterparts due to conscious decisions within the Canadian industries. Integrated into these structures are supply management systems which maintain the required type of agriculture structure and market opportunities. Representatives from both the Canadian Egg Producers Council and the Canadian Chicken Marketing Agency said increased global imports for and lower tariffs on their products will affect them negatively. Mr. Jim Waardenburg of the Dairy Farmers of Canada said that because the current marketing systems on both sides of the border are retained, the Canadian dairy industry has gained nothing from the Agreement. The American industry, however, has gained:

While tariffs exist on both sides of the border, the U.S. has established import quotas for which Canada has no access. The removal of tariffs therefore provides access for U.S. products into Canada while an expansion of the exportation of Canadian dairy products to the U.S. remains an impossibility.

Mr. Waardenburg went on to say that before his organisation could give support to the Agreement—"or cancel our opposition"—a number of changes would have to be made, "the most urgent being an amendment to the Import Control List for a full coverage of all dairy products", including ice cream and yoghurt.

Mr. George Fleischmann, President of the Grocery Products Manufacturers of Canada, explained that under the FTA American competitors will "enjoy an enormous advantage because they will continue to buy their agricultural imports at market prices while Canadian competitors will either have to compete with higher prices on these imports due to influence of marketing boards on price or weather administrative slowdowns while applying for commodity import licences". Mr. Herb England, Executive Member of the GPMC, illustrated the problem facing the industry in Canada:

... the people who are adding value and employing labour in the U.S. get access to the lowest priced goods that are available anywhere in the world: They can buy anywhere. In Canada processors such as ourselves are restricted as to where we can buy and restricted as to the price we can buy for. We are saying if we are going to have an open market on finished goods we need an open market on raw materials; they have to be in balance.



Mr. Fleischmann went on to argue that there is a solution to this problem:

. . . a supply-managed price that would go to the consumer for the unprocessed commodity, and a lower price that would be competitive with the open-market price in the United States and would be made available to those who would further process the product.

In response to a question, Mr. England indicated that free trade could possibly coexist with marketing boards, but not with "what marketing boards represent right now, which tends to be managed prices and management at a higher price". A final point made by the Grocery Products Manufacturers concerned the tightening up of U.S. rules on imported products containing sugar. There is apparently concern within the industry as to what sort of future access will be permitted. It was for this reason, among others, that the GPMC is reserving its position on the FTA until the final text is made public.

Turning to the regional dimensions of agriculture and food issues, l'Union des producteurs agricoles du Québec and its President Jacques Proulx were concerned about the effect of the FTA on Québec for three reasons. Firstly, Proulx claimed the elimination of customs tariffs will have a negative effect on the small producer immediately and on the food processing sector in the medium term. Since it is largely controlled by American multinational corporations, the food processing industry in Quebec will be weakened because there will no longer be an advantage to producing in Canada. Secondly, the increase in import quotas will mean that, eventually, "the industry will no longer have to prove its need to import". According to Proulx, "even a 1 per cent increase this year would very soon upset the balance in agriculture production". Moreover, opening up the Canadian market to imitation food may undermine the consumption of agricultural products which are subject to quotas. A third concern was the commitment by various levels of government to assistance programs. Mr. Proulx questioned the fate of capital subsidy, marketing assistance and income stabilization programs in Quebec as a result of this Agreement. Also, he questioned the extent to which governments will be able to regulate agriculture in the future. Mr. Proulx suggested that job loss in this sector would be related to the implementation period of the agreement and noted that few studies had been done on job impact in agriculture. He also expressed concern about the potential loss in ownership of businesses to larger American multinational corporations.

Mr. Alan Brock, Chairman of the Association of B.C. Grape Growers, argued that his members were treated unfairly in the Agreement, relative to other industries:

We cannot understand why we did not receive a 10-year implementation period. This was a standard timeframe for many other industries within Canada, in which the need was probably not as great as it was for our



industry . . . . We were either traded off for some other sector, or just sacrificed in this free trade deal.

Brock explained that within 366 days from the implementation of the Agreement, January 1, 1989, grape growers would lose one-half of their current preferential market as structured by the B.C. wine policy. Thus, with the current FTA provisions, "there is no phase-in period" with respect to grapes. British Columbia's fruit and vegetable growers had similar worries. Mr. Gerald Geen, President of the B.C. Fruit Growers Association said the Agreement should reflect the fact that many of the Canadian input costs are substantially higher than in the U.S. and that there is a relatively shorter growing season in Canada. However, "equal opportunity for Canadians and Americans has not been addressed in the Agreement, even though it is Canadian domestic policy that to some degree has put Canadian fruit producers at a competitive disadvantage in relation to their American counterparts".

The Seafood Processors Association of Prince Edward Island and the Seafood Producers Association of Nova Scotia (SPANS) supported the FTA because of the elimination of tariffs and the protection of the Canadian fishing industry from "uncontrolled harassment by certain U.S. fishing interests". In its brief, SPANS explained that "tariff-free access to the rapidly growing value-added seafood market will lead to greater efficiencies and will enable Canadian companies to increase their production of value-added products". The Prince Edward Island Seafood Processors agreed, adding that the mechanisms to resolve disputes between the two countries are an even more important advantage. The P.E.I. Fishermen's Association, however, argued that more processing in Canada does not necessarily mean more income for fishermen. It also argued that "the trade barriers that have the most effect on our fishermen are the technical, non-monetary barriers that are applied even to fish harvested within our fisheries law". The Canadian Labour Congress, in its brief, said that in 1986 the U.S. international trade administration decided that "no less than 55 programs which gave assistance to the Atlantic fisheries conferred an improper subsidy".

The Prince Edward Island Potato Marketing Board expressed its support for the FTA because of the reduction of tariffs and the reduction of the 10 per cent processing duty. For continued prosperity the Board's interests need "freer access to American markets and the removal of some of the ridiculous barriers to trade which we have experienced in the past". In contrast, Mr. John Robinson, a potato farmer in P.E.I. said that as a result of the FTA "P.E.I. would lose most of its central Canadian market and possibly gain a bit more of the U.S. market. How fast this happened would depend on currency exchange rates".



## Automotive Trade

### (A) Officials

Ambassador Ritchie explained that tariffs on original equipment, tires and after-market parts will be phased out, as will duty remission programs. Those remission programs that are export based will be eliminated immediately. Duty waivers for products assembled in free trade zones in the U.S., a device that the Americans have used around their automotive plants, will be phased out with respect to shipments to Canada. Production-based duty waivers, used to entice newer manufacturers, will be phased out when the present commitments expire but no later than 1996.

Ambassador Ritchie stressed that the Auto Pact safeguards "remain fully intact": in order to qualify for Auto Pact treatment a company would have to meet the existing criteria. These criteria are an assembly ratio, which would require them to produce one car in Canada for every car they sell in Canada, and the Canadian Value Added (CVA) commitments, within the letters of commitment of the Auto Pact, which require 60 per cent CVA above a base. The safeguards have been altered to what Ambassador Reisman calls "Auto Pact plus". Previously the penalty for falling below the safeguards was payment of the tariff between the U.S. and Canada which would otherwise have been paid if the Auto Pact did not exist. Now, the penalty will be loss of the right to import a product duty free, which "would economically have the greatest impact with respect to third-country imports". The changes on the safeguards take into account the new competitive conditions within the worldwide automotive trade.

Ambassador Ritchie went on to explain that, with the Agreement, no new auto manufacturers can qualify for Auto Pact status; non-Auto-Pact producers would be subject to a different set of rules of origin. In particular, duty-free shipment across the border will be subject to the attainment of a 50 per cent level of direct cost of processing of the total content by each producer. According to Ritchie, this would result in "about a 40 per cent increase in the value-added standard that they would have to reach in order to qualify for duty-free export into the United States or duty-free import from the United States into Canada". This 50 per cent content regulation is North American content, "equivalent to about 70 per cent of the old formula used under the Auto Pact". Minister for International Trade Pat Carney argued that this provision "will encourage Japanese and Korean auto-makers to purchase more parts from Canadian manufacturers in order to gain duty-free treatment".

Ritchie also stressed that the FTA maintains the right of the Canadian government to determine an independent automotive strategy while recognizing that the industry has been rationalized continentally. The effect of



the changes in the Auto Pact "represent opportunities for increased employment and output in Canada. Studies on the impact of these specific changes on employment and output are currently taking place".

(B) Witnesses

The Motor Vehicles Manufacturers' Association (MVMA) supported the FTA for many of these same reasons. In particular, its spokesman Mr. David Rehor, argued that the FTA recognizes the new competitive environment of the automotive trade and represents "an important first step". However, the Association would have preferred the rules of origin for non-Auto Pact producers to have been 60 per cent direct cost of manufacturing as opposed to the agreed to 50 per cent, a position which, Mr. Rehor noted, was also supported by the Automotive Parts Manufacturers' Association of Canada. Rehor argued that "Canada would clearly be better off in the short term with a mandated Auto Pact for all the major sellers than we would under this proposed policy. The key words are short term because in the longer term it ultimately represents a form of protectionism which we believe will hurt us". He also stressed that the Auto Pact commitments have always been voluntary and the status of current non-Auto Pact members would probably have remained "in limbo" because of the flexibility open to them not to be part of it. Moreover, because of the voluntary nature of the Auto Pact commitments "the North American companies could ultimately elect to use the new rules of origin" in the Agreement. Mr. Rehor went on to suggest that the changes in the rules of origin are an improvement because the definition of direct cost of manufacturing is quite strict and because the penalties will now be more easily enforceable.

On the question of whether the FTA will permit a Mazda plant in Detroit to export to Canada duty-free without any Canadian part content, Mr. Rehor said this is "a theoretical possibility" but because of certain advantages in Canada with respect to exchange rate differences, relative labour costs and quality products "there would be a pretty good chance . . . a great percentage of it would be Canadian". He thought this would continue because the FTA provisions create "a tremendous opportunity for the North American parts producers, especially Canadian who have proven so competitive".

Mr. Bob White, President of the Canadian Auto Workers (CAW), argued that the provisions on automotive trade should be characterized as "Auto Pact minus", rather than "Auto Pact plus" as Ambassador Reisman had suggested, because the provisions change the original structure of the Auto Pact: "the Auto Pact companies are relieved of any penalty if they do not meet the safeguards"; if they meet the safeguards, they can bring in more cars and parts from offshore firms duty-free; and offshore manufacturers will be excluded



from the Auto Pact. Mr. White characterized the 1965 Auto Pact as managed, not free trade because it guaranteed that Canada would get "a fair share" of jobs and investment, relative to the size of the Canadian market. According to White, this is "absolutely in opposition to arguments being made today on the question of free trade". He took the example of the industry shakeup in the late 1970s and the potential default of Chrysler and Ford of their commitments as an example of this. "The government used those default amounts to get investments and commitments here," said White. Moreover, the 60 per cent CVA commitment and the other safeguards "were only met because they were enforceable". Mr. Sam Gindin, an official of the CAW, argued that there is a specific advantage to Auto Pact-type sectoral arrangements relative to what the FTA proposes:

What the Auto Pact shows is that (regional development of a manufacturing base and regional diversification) will not happen automatically. It will not just happen if you leave it to market forces. It will only happen if in fact there is some intervention in the market forces.

John Crispo disputed this analysis by arguing that sectoral arrangements are illegal under the GATT. Therefore, "we could not have an Auto Pact again", and similar arrangements could not be negotiated for other sectors. He also argued that the provisions within the FTA are significant, relative to what would have happened to the Auto Pact in the absence of an agreement. In particular, if pressures from the seven congressional delegations of the seven leading auto-producing states in the U.S. and the UAW had won out, the Auto Pact would have been "gutted". Crispo concluded that the automotive trade provisions should be characterized as "Auto Pact plus" because:

. . . the two safeguards for the Big Three remain. They are not quite as enforceable as they were before because tariffs go, but still, if those auto companies want the \$300 million in autos and auto parts . . . (duties waived) they have to comply with those safeguards. If you do not think that is a big incentive, you do not know the Big Three.

## **Cultural Industries**

### **(A) Officials**

Ambassador Reisman explained that the cultural industries defined in the Agreement were never open for negotiations and, having been exempted, benefits from the rest of the agreement, such as the easing of restrictions on professional actors, do not apply to the industry.



(B) Witnesses

Ms Adrienne Clarkson, President of McClelland and Stewart, acknowledged these exemptions and similar provisions within the investment clause regarding the cultural industries, but characterized these as limiting the growth of these industries. She argued that the cultural industries in Canada have not yet fully developed and their scope and influence in Canadian society should be enlarged. Both she and the writer Margaret Atwood expressed concerns about the extent to which future initiatives in this area would be constrained by the FTA. On the other hand, the Honourable Donald Macdonald argued that "the extent to which we have had and will continue to have freedom of action, particularly to assist popular culture in this country, has been unaffected by the trade agreement". The artist Christopher Pratt made a strong statement in favour of cultural freedom. He pointed out that Newfoundland culture had remained strong and unique within the Canadian Confederation and argued that the greater prosperity that would arise from the FTA would facilitate the extension of culture to all Canadians. He declared:

North America . . . is not a continent of walled cities and iron curtains and Berlin Walls, nor should we erect them now. We do not need a nationalistic, chauvinistic posturing in our arts.

Ms Clarkson explained that she would welcome foreign partners in the Canadian book publishing business, provided Canadian book publishing remained under Canadian control. Since "the creative imagination is spurred along by the sources of distribution" of their work, she was "very concerned that, with our bookstores or our methods of distribution not in Canadian hands, we just do not have the largest play for Canadian imaginative work". Mordecai Richler said he would prefer Canadian ownership of book publishing, but did not see anything inherently wrong with the industry following the trend in publishing around the world of becoming increasingly international. He said the fact that Canadian book publishers put out 85 per cent of books written by Canadians but account for only 20 per cent of the revenues of books sold in this country is not "alarming", but rather "heartening, a tribute to the talent of Canadian writers". He said these figures reflect well on Canadians because they indicate Canadians want to read the best written books in the world. He also said that "Canadian ownership, of itself, is no guarantee of quality".

Both Atwood and Richler were concerned that the FTA would have a negative effect on the eventual outcome of the film distribution legislation proposed by The Honourable Flora MacDonald, Minister of Communications. Richler characterized the initial proposal "as highly intelligent, as a bill that would have done much to encourage our film-makers". Atwood argued that



with any "watered-down film distribution policy, . . . there goes the Canadian film industry in any major form". She further argued that with the abolition of the special postal rates for Canadian magazines, "there go our national magazines, not to mention our literary magazines". Richler, however, said he did not think the profitability of the national magazines would be detrimentally affected by the abolition of these postal rates and that, because literary magazines have a captive audience, "they are not threatened by the postal rates issues". Richler stressed that the state must continue to provide the funding it does to young writers because the market will not. Through the Canada Council "there is more than adequate help as long as that remains in place". He questioned whether the Canada Council grants to Canadian-owned firms publishing a specific level of Canadian literature would be subject to unfair trading practices due to the FTA.

A number of witnesses expressed concern about the wording of the cultural industries section of the Agreement. Clause 1 of the section exempts cultural industries from the FTA, while Clause 2 reads as follows:

Notwithstanding any other provision of this Agreement, a party may take measures of equivalent commercial effect in response to actions that would have been inconsistent with this Agreement but for paragraph (1).

Mr. Gino Marrocco, National President of the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) interpreted the "Notwithstanding" clause as leaving the Canadian industry open to American retaliation for "measures we institute to begin to capture our own market." Mr. Bruce Duggan, Executive Director of the Winnipeg Film Group, observed:

"If the "Notwithstanding" clause remains in the cultural exemption, the cultural exemption is a sham. If the "Notwithstanding" clause is removed, it will be improved."

## Energy

### (A) Minister and Officials

The Honourable Pat Carney, Minister of International Trade, said the energy provisions "enshrine" many aspects of the Government's energy policy. Moreover, all existing energy policies will be "grandfathered", including provisions on ownership, control, and the ability of the provinces to conserve, monitor and regulate their resources.

Ambassador Ritchie pointed out that many aspects of Canada's commitments to the International Energy Agreement (IEA) were also enshrined; the provisions within the IEA were also extended to natural gas. The FTA, however, does not go as far as the IEA in that Canada does not have to increase exports in times of shortage of supply but will be required



only to "cut back in equal proportions domestic and American supply". "Directly proportional" will apply to commodities such as natural gas and electricity because Canada does not import substantial volume of these; for oil, because the base of the fraction includes imported supplies as well as domestic supplies, supply will be cut back somewhat more than proportionally. Ritchie said IEA commitments will not be affected by the Agreement.

Ambassador Ritchie said the Agreement "will guarantee" secure access to the United States market, and specifically, the embargo on U.S. imports of Canadian uranium will be lifted. Future decisions made by the Federal Energy Regulatory Commission (FERC) will be subject to consultation and negotiation with Canada. Import surcharges on oil before Congress will not be applied to Canadian imports and restrictions will not be applied to hydro-electric power exports to the U.S. He further explained that decisions taken by private individuals, provincial utilities or provincial energy corporations will not be affected by the Agreement. However, neither federal government will be able to regulate price at the border. Nevertheless, as Ambassador Reisman argued, it "must be understood that there are all kinds of very intricate differentials that are justified on market grounds . . . (however) if you are selling abroad at lower than you are charging at home under comparable conditions, then you can be charged with dumping. If on the other hand you are selling abroad at a higher price than you would charge to a comparable industry at home and if it gives them a particular advantage, they would be free to invoke defensive measures pursuant to the terms of the agreement." The matter would be resolved through the binding dispute settlement mechanism.

#### (B) Witnesses

The Honourable Donald Macdonald, Co-Chairman of the Canadian Alliance for Trade and Job Opportunities, argued that the energy provisions of the agreement must be understood within a historical context. Since the late 1940s Canada has periodically had to deal with the simultaneous problem of having a substantial surplus of energy for export and threats from the U.S. to restrict access to its market. Canada is presently confronted with this situation and, therefore, "securing Canadian energy sales into the U.S. market is a very important advantage" of the Agreement. Moreover, on the question of shortage of supply, it is important to remember that "very important parts of the Canadian market are dependent upon international supplies. Mr. Macdonald argued that there is no foundation for the allegations that the FTA gives up Canadian control. "The provincial jurisdiction over the rate of development is entirely unaffected by this agreement."



The Honourable Peter Lougheed characterized the energy provisions as a "win-win situation" for three reasons: (1) the Canadian market for both oil and natural gas is not large enough to attract the new investment needed and can be accommodated; (2) "it would preclude a federal government from bringing in a National Energy Program ever again"; and (3) regulations in the United States that would have threatened Canada would be restrained by the Agreement. He saw the FTA stimulating future investment in Alberta because of the province's comparative advantages: the lower finding cost in the oil and gas business than in the U.S.; better geological prospects in the frontier areas; "a superb group of technical people and drillers and service people in this country who can make it hum and increase in activity".

Mr. John Crispo made similar arguments. He said the investment in the tar sands, in large hydro-electric plants and in other energy megaprojects will not occur without guarantees of access and long-term supply to the bulk of the customers, the Americans. He said Canada did give up double pricing between provinces and between Canada and the U.S., but "if you want to sell (energy) on a long-term basis to raise the funds to build the project, to produce the energy, you had better be realistic and face the fact that this is what you are going to have to negotiate". Mr. Bill Gatenby, Chairman of the Canadian Petroleum Association (CPA), agreed: "the economics dictate . . . that the output from such projects be as close to capacity as possible, which in turn requires unconstrained market access".

Mr. Bill Deeks of The Chamber of Commerce saw the provisions as particularly significant for western gas producers who are concerned about maintaining their markets given the shrinkage in the petrochemical use of natural gas and the renewed contribution of other forms of energy to heating and other industry energy applications. Murray Todd, Chairman of the Independent Producers' Association of Canada (IPAC) said "supply is going to be determined by how much we can discover and develop". The FTA is, therefore, significant because there will be larger markets (i.e., American) for oil and gas and an investment climate that will encourage greater exploration and thereby increase the energy supplies in Canada. IPAC characterizes as "appropriate" that, because of the FTA, the National Energy Board would no longer have the authority either to establish discriminator pricing or to pull back committed deliveries to the United States.

Unlike the CPA and IPAC, the Small Explorers and Producers' Association of Canada (SEPAC) had concerns about the energy provisions. First of all SEPAC would prefer a more limited free trade arrangement:

We do not want free trade to eliminate the infrastructure nor to restrict the fiscal policy nor to remove the policy tools essential for independent growth in our business.



Moreover, according to SEPAC spokesman Bob McLennan, the provisions for "freest possible" trade imply restrictions: non-discriminatory access for the U.S., but only secure market access for Canada, implying that discrimination may be applied to secure market access for Canadian energy exports". And thirdly, McLennan argued that the oil industry did not get the same rules as other industries regarding access to foreign capital:

The energy arrangements are not balanced. Canada has made concessions and suffered adverse trade rulings for these concessions and granting non-discriminatory access to our energy supplies. We did not obtain the right to compete in the United States market on the same basis as the United States producers.

Professor Duncan Cameron raised the question of relative cost structures in the two countries and whether, if there is a North American price for energy, Canada may have a permanent cost disadvantage with the U.S. because it uses proportionately more energy for heating. He also questioned the wisdom of bargaining away Canada's ability to charge lower prices domestically for energy in order to help develop comparative advantages for specific industries. Mr. Gerald Larose, President of the *Confédération des syndicats nationaux* of Québec made a similar point, arguing that Québec's successful development of its aluminum and pulp and paper manufacturing sector was contingent upon cheaper hydro-electric rates.

Professor Bruce Wilkinson of the University of Alberta was not impressed with the argument that the FTA would be the deciding factor in generating more investment in the oil sector because "the U.S. already knows that Canada is a much safer long-run source of supply of oil and gas than the Middle East". The Agreement, however, is significant because it means "that any new investment coming in will be on American terms rather than on Alberta or Canadian terms." For Wilkinson, this is a significant concession:

I find it rather strange that we should assume that we are going to be able to rely on the United States to protect our interests in the future and, at the same time, assume that Ottawa does not have any desire to protect Western Canadian interests.

The Honourable Vic Schroeder, Manitoba's Minister of International Trade and Technology, argued that the FTA provisions will lead to Canadian subsidization of the price of energy for Americans and a depletion of Canadian energy resources:

(the FTA) will encourage subsidies paid by Canadian taxpayers to develop our non-renewable energy for the United States, but explicitly, specifically, excludes such kinds of subsidies for the development of renewable resources.

Mr. Joseph Mercier, President of Universal Explorations Ltd., said he is "convinced the Americans are running short" of natural gas; as natural gas



increasingly flows from the north to the south, there will be "no further reasons for natural gas to flow eastward".

There were two different views presented on what the energy provisions meant for hydro-electric power generation. Mr. Bernard Landry argued that the price in Quebec for electrical power is based on a "blended" price of old powerhouses and new powerhouses; the price of power sold to the United States "will always be the marginal cost of the latest powerhouse. So that will always be higher than the internal price". Moreover, since Hydro-Québec is the only producer and the only seller in Quebec and there is a power commission which is "manipulated", "the price of the market mentioned in the agreement will be the one we will negotiate with U.S. customers, but with huge and massive organizations (e.g., New England Power Authority, Conn Edison, PASNY), not each customer in the streets of New York City or Boston". The price is "negotiated and manipulated", based on the replacement cost, the opportunity costs, and the buyer's position. "If he needs it badly, then the real price will be higher, of course".

Ralph Loffmark, commenting on the Columbia River Treaty, came to different conclusions. He said there is a commitment within the River Treaty that "Americans are supposed to put in new facilities to supply British Columbia with that half of the power that B.C. is entitled to". But, so far, the facilities have not been built to provide this, although they would have to start construction today to ensure that the commitment is adhered to by 1997. Moreover, negotiations will be constrained because the FTA requires that Canadians "can charge a price not greater than the domestic price". The FTA, therefore, "very effectively binds the hands of any government in B.C. which attempts to extract from the Americans the best price possible on the open market for B.C.'s share of that power . . . . The best price we are going to get out of them is what we are charging in B.C."

## **Financial Services**

### **(A) Officials**

According to Ambassador Ritchie, the financial services section is the major services sectoral agreement in the FTA. For Canada, national treatment will apply to Americans in the purchase of shares in financial institutions. Canada will exempt American bank subsidiaries from the existing limit on foreign assets. The U.S. has agreed to recognize the freedom of action of Canadian financial institutions in its market. Since the U.S. market accounts for up to 90 per cent of the business of security firms, Canadian firms were concerned that if securities were "acquired in Canada under provincial or federal regulations the existing American laws would put them at a



disadvantage with respect to this very important part of their activities. The Americans have agreed that this will not be the case". Also, under the Agreement existing rights and privileges in the U.S. market will be maintained, "which in some instances means that (Canadian) financial institutions will continue to enjoy better treatment there than American institutions enjoy". For example, in interstate banking Canadian institutions have some freedom of action that their American counterparts do not enjoy. Moreover, Canadian firms will be given national treatment with respect to any amendments to the Glass-Steagall legislation.

(B) Witnesses

Mr. Geoffrey Hale, Vice-President of the Canadian Organization of Small Business Inc. (COSB) indicated that the changes will lead to "more competition in the banking services available to small business". This will provide easier access for Canadian companies to export financing, reducing the need to set up American production subsidiaries in order to penetrate the U.S. market.

Mr. Robert MacIntosh, President of The Canadian Bankers' Association, said that "despite the fact that our own particular direct and immediate interests are not advantaged by this deal, the banks nevertheless support the Free Trade Agreement". This is the case because "what is good for Canada is good for the banks". For the financial services industry, the right of access is the determining factor for a freer flow of services. Agreement, however, was limited to what is under the control of both federal governments. Thus, the U.S. could not concede the right to branch across state boundaries because that is a state matter, whereas Canada could concede inter-provincial access because in Canada access means "access coast to coast". Some Canadian banks, however, do have branches in several U.S. states because their operations were grandfathered in The International Banking Act of 1978 "under which foreign banks were to be restricted to one state of their choice, a home state". Further interstate access will depend on amendments to the Glass-Steagall Act which are currently before Congress. For its part, Canada could not include in the negotiations such provincial matters as the regulation of the securities industry, some aspects of trust and loan authority, and all regulation of credit unions. Mr. MacIntosh summed up his overall assessment: "The American banks are being given unlimited access geographically and functionally. Canadian banks do not object to that and (they) do not object to their competition (in Canada). What we are concerned about is that on the American side there may be a problem about delivering their promises . . . We are supporting the deal nevertheless".



The Honourable Donald Macdonald believed it was a "wise decision" on the part of financial institutions "to take on foreign competition at home and abroad . . . because unless they are prepared to do so, over a period of time they would see themselves losing a major part of their business". Moreover, the FTA is consistent with "the decision a number of provinces have already taken about how we should organize that particular area". Both Ms Jalynn Bennett of Manufacturers Life Insurance Co. and Mr. Gerald Devlin of the Canadian Life and Health Insurance Association expressed strong support for those provisions of the FTA on national treatment and permitting open competition in their industry. Bennett went on to say that the growing interdependence of the world's financial markets has forced the industry to become increasingly multinational. She noted that her own company had substantially increased its international business but has also been constrained by protectionism: "we have withdrawn from 25 countries in the past 60 years because of non-tariff barriers".

Several witnesses expressed concern over Canadian control of Canadian loans, stocks, bonds and mortgages as a result of this agreement. Mel Hurtig suggested that the provisions concerning financial services will lead to "virtually unrestricted entry of U.S. banks, and takeovers of Canadian trust companies, insurance companies and brokerage houses". Ms Shirley Carr of the Canadian Labour Congress said she was similarly "amazed and disturbed by the manner in which this sector has now been opened up to American penetration".

## **Government Procurement**

### **(A) Officials**

Both Ambassadors Reisman and Ritchie said they were "disappointed" with these provisions because "we, with the support of the provincial governments, were prepared to look at a very, very comprehensive deal here". The threshold on procurements has been lowered from the GATT threshold of U.S. \$171,000 to U.S. \$25,000, "which means for U.S. purchases between \$25,000 and \$171,000, Canadian suppliers will be treated exactly as American suppliers and vice versa for the entities covered by the code". Mr. Germain Denis, Assistant Chief Negotiator, said the provisions are "essentially about the opportunity for small business to bid on the smaller contracts in the United States". Transparency will also be strengthened "because at the moment there are some procedures with which Canadian suppliers are not very familiar and some more transparencies will be introduced into the procedures". According to Ritchie, "the entities covered by the code excludes all the provincial governments and their agencies". As well, several federal institutions are excluded: the Department of Transport, the Department of



Communications, most of the Department of Defence, the Department of Fisheries and Oceans, all Crown corporations and all other Crown agencies.

(B) Witnesses

The Honourable Donald Macdonald was also disappointed by these provisions. He would have preferred to see not only buy-America provisions of the United States federal law restricted but also the limitations that currently exist in the Tokyo Round of negotiations removed. His objective as a Canadian would be the following: "I would like to see limitations on the capacity of state and provincial governments to restrict competition in public procurement markets under their control . . . . Probably the only way or one of the few ways to have achieved any real progress on this would have been to put limitations also on the provincial governments in Canada, not only limitations against discriminating against Americans but also discriminating against other Canadians".

**Investment**

(A) Minister and Officials

The Honourable Pat Carney said that the FTA is meant to ensure that "there is not in the future the kind of anti-investment policies that were introduced by previous governments, that led to the outflow of investment from Canada, and that also puts at jeopardy our investment in other countries". Moreover, as Mr. Gordon Ritchie outlined, the FTA provides that "neither Investment Canada nor any other body would be permitted to impose performance requirements as a condition of investment (in Canada), nor would the Americans be able to impose such requirements on us". This is subject to the restriction, the Minister pointed out, that Canada retains the "right to review significant non-Canadian investment in Canada". This is the case for those companies with assets over the specified thresholds that, according to Mr. Ritchie, "even at the end of the period will still account for something in the order of two-thirds of total Canadian corporate assets". Further, for those sectors that were designated as critical, the right to control foreign investment is retained. Ownership restrictions were grandfathered in the oil and gas, uranium, cultural industries, fisheries and financial services sectors, among others.

(B) Witnesses

Mr. James Hyndman, Director of The Council of Canadians, argued that because of these provisions, "the prospect under the Agreement is that foreign control will spread in all sectors viewed as important growth sectors for Canada's future". He also argued that existing laws, regulations and policies



will be scrutinized by the U.S. in order to ensure that U.S. investment is not at all discriminated against. Canada will either have to change some of these regulations or face allegations of unfair investment practices.

John Crispo said the investment section is consistent with re-emerging internationalization of finance. Professor Richard Lipsey argued that the reciprocity on national treatment of investment will secure a special advantage for Canadian capital:

Before the Americans get upset at the growing amount of foreign ownership in their country and before they go through the trauma that we went through in the 1970s about foreign investment . . . (we have) national treatment of our investment.

Professor Alan Rugman of the University of Toronto argued that economic nationalists "use the thinking of the 1960s rather than the facts of the 1980s." He pointed out that Canadian investment in the U.S. was growing at a much faster rate than U.S. investment in Canada and that Canadian-owned multinationals were now positioned very successfully in the United States and around the world. "They provide the basis for secure jobs and the strength of Canada's booming services sector where most of our future jobs are concentrated." Mr. E.J. Grant, President of the Northwest Territories' Chamber of Commerce said the critical factor for the Canadian north is investment capital and that it does not matter where the capital originates.

Some witnesses argued that the investment restrictions in the FTA have little benefit for Canada relative to concessions given to the United States. Mr. Hurtig pointed out that the current investment policy being grandfathered has turned down no foreign take-overs.

He went on to argue that foreign investment had made little or no contribution to job creation in Canada. The Honourable Wayne D. Cheverie, Prince Edward Island's Minister of Justice and Attorney General, said the raising of the take-over limit to \$150 million for review exemption means that, because of the small size of P.E.I. firms, no firm in the province would be eligible for review. The Honourable Vic Schroeder, Minister of International trade and Technology for Manitoba, argued that a brief prepared for the Trade Negotiations Office, entitled "Barriers to Direct Foreign Investment in the United States", revealed that the U.S. has as many, if not more, restrictions on foreign investors as does Canada. With respect to the FTA, however, "unlike us, they will not be giving up those restrictions. The deal explicitly allows the United States to keep them". Professor Bruce Wilkinson said the nature of these investment provisions indicate that the FTA has gone beyond the limits of a customs union, in that the liberalizing effect on American capital has more the characteristics of a common market.



## Services

### (A) Minister and Officials

A set of principles to govern future regulation in services has been agreed to. Such regulation, according to Ambassador Ritchie, will be subject to the Agreement's basic principle of non-discrimination, and will involve rules with respect to National Treatment, Right of Establishment, Right to Commercial Presence, and the transparency of regulations. Although there will be provisions on architects' services, tourism, transportation, financial services, and enhanced telecommunications and computer services, the number of specific sectoral agreements is "disappointingly limited". There will be a chapter on temporary personnel access for professional activities and sales and after-sales service activities. International Trade Minister Pat Carney described these measures as "unprecedented in the history of trade relations". She also characterized them as "a constructive model for progress in the current round of multilateral trade negotiations under the GATT".

### (B) Witnesses

Mr. Geoffrey Hale, Vice-President of the Canadian Organization of Small Business Inc. (COSB), argued that the energy services sector would benefit from the energy provisions of the FTA. He characterized business in geological, construction and technical services as "among the strongest supporters of this agreement because they feel it will reduce or even eliminate the likelihood of a national energy program ever coming again to drive their businesses into the ground". By contrast, Ms Marjorie Cohen, Co-Chair of the National Action Committee on the Status of Women, characterized the services sector in the FTA as "the most extraordinary concession to the United States on Canada's part in this whole agreement". Although service industries "are the most significant part of our economy", an agreement was made on this sector without any studies having been made on its impact. Moreover, Canada will not benefit from the Agreement because "the major problem here is that Canada and the United States have opposing interests in the service sector, primarily because the U.S. is a world leader in the provision of services and Canada is not". The impact, therefore, will be felt heavily on Canada since about 70 per cent of its workforce is employed in service industries.

Ms Katie Macmillan's views on the effects of the FTA on the service industry contradicted sharply the testimony of Ms Cohen. Macmillan argued that there will be significant job creation in the service industry with the FTA. "It is through that extra money that consumers have available (because of the FTA) that the real growth occurs in the service industry." This will have a significant and positive impact on women because they will see "their



employment prospects vastly improved." Ms Jalynn Bennett of Manufacturers Life Insurance Company agreed, arguing that in the financial services sector, a competitive environment creates demand for "good people" and "often drives salaries up in the domestic market."

Mr. Clarence Yackel, Vice-President of the Manitoba Trucking Association, said the FTA provisions favour the interests of U.S. carriers over Canadian because of the financial strength of the large U.S. carriers; because the opportunity for entry into the two markets is not the same; and the U.S. carriers have tax advantages when operating in either market that the Canadian carriers do not enjoy. Mr. Bob Ages, Labour Co-ordinator for Manitoba Coalition Against Free Trade expressed concern that the right to establishment and national treatment provisions in the FTA could be interpreted to give U.S. railways the right to build branch lines into Canada, thereby "short-circuiting our two national rail systems."

Mr. Bill Loewen of the Canadian Independent Computer Services Association contended that 360,000 information processing jobs in Canada will eventually be lost due to the lessening of restrictions on computer services that will result from the FTA. He argued that present computer communications technology makes it possible to concentrate more jobs at head offices of multinational corporations:

The U.S. has always and always will have an easier access to our markets than we have ourselves. Consequently more and more office functions are being performed at the U.S. head offices of Canadian subsidiaries. As more communications move north and south, a chain reaction will occur that will drag many Canadian head offices to the U.S. as well.

## Standards

### (A) Officials

Ambassador Ritchie described the section on technical standards as an enhancement of existing GATT rules. The parties agree that these standards should not be used as a disguised barrier to trade, while recognizing that "this does not inhibit in any way the capacity of the Americans or ourselves to regulate for purposes of health and safety, consumer protection and security under appropriate circumstances". Deregulation and re-regulation will be permitted by the Agreement as long as neither is done in a discriminatory manner. All existing regulations that are inconsistent with the Agreement were grandfathered. Mr. Terry Norman, Senior Policy Analyst for the Trade Negotiations Office, summed up the approach: "The general principles go along the lines of attempting to harmonize technical regulations to the maximum extent possible; and where that is not possible, accepting the equivalence of the regulatory systems in both countries; and where that will



not work, then moving to specific issues and trying to resolve the specific issues where they cannot be resolved on that general basis". The result is a balance between the full ability of the two governments to regulate for purposes of health and safety, consumer protection and quality standards, on the one hand, and the attempt to minimize distortions of trade on the other.

#### (B) Witnesses

Some witnesses said that the harmonization of standards between the U.S. and Canada would lead to the raising of American standards to Canada's level. Mr. Charles Gracey, Executive Vice-President of the Canadian Cattlemen's Association argued that because Canada's standards are superior to those of the United States in some areas, Canadian firms have a competitive advantage: "We changed our grading system in 1972, and the Americans did not. We are more advanced in using new breeds, crossbreeds and so on. We have a growing market in the Pacific Northwest because of our product". Other witnesses expressed deep concern that free trade would result in the lowering of Canadian standards in order to meet U.S. competition. Ms Havi Echenberg, Executive Director of the National Anti-Poverty Organisation argued that savings to consumers might be gained at the cost of losing some minimum standards and, if so, she predicted that "poor people are going to suffer because they always have to buy what is cheapest".

#### **Tariffs and Customs**

##### (A) Officials

According to Ambassador Ritchie, "the basic provision is that all tariffs are to be removed within ten years". This will apply to 22 per cent of our exports and the 24 per cent of our imports that are not already duty free between the U.S. and Canada. The tariff schedules will be annexed to the Agreement, containing about 600 pages each of the American and Canadian tariff schedules. In general, tariffs will be reduced by one-tenth on January 1, 1989, one-tenth every January thereafter, and by January 1, 1998, all tariffs will be removed. Mr. Ritchie said both parties are "quite flexible in terms of accelerating tariff cuts, unflexible in terms of deferring them". He suggested that "in the past, the practice of other free trade areas . . . has been a general acceleration rather than commodity-specific acceleration".

Turning to the Customs provisions of the FTA, Ambassador Ritchie commented that "the North American rules of origin will be a fairly complicated exercise, complicated in order to ensure precision, clarity and transparency":

A product qualifies for the duty-free treatment if it is made in North America from North American materials, or otherwise, if it is



substantially changed in the manufacturing process; that is to say it moves from one tariff heading to another under this nomenclature. And in some cases there will be a further rule that a certain proportion of the value of the product must have been manufactured in this country.

(B) Witnesses

Mr. Deeks of The Canadian Chamber of Commerce argued that the elimination of tariffs will have the effect of making it "far more possible to add value to and further process goods in this country". This is the case because the present tariff regime has the following bias: "Tariffs going into the United States escalate as you add value to products in Canada. This means even though the tariff is small, when you apply it to the added-value component it can become very large and act as a prohibition on the manufacture of added-value goods in this country".

Mr. David Rehor of The Motor Vehicles Manufacturers' Association argued that tariff reductions will lead to lower prices and the realization of greater economies of scale. M. Jean Bélanger, President of The Canadian Chemical Producers' Association (CCPA) said his Association has argued consistently for the elimination of American tariffs "that limit opportunities for the Canadian industry". This, along with the phasing-in period in the FTA satisfies the Association's objective. Mr. John Blackford, also of the CCPA, said the reduction of tariffs will obviously lead to rationalization of industry as firms become more specialized. "We are going to have to get out of certain products, but we are going to get in to other products in a bigger way. Instead of getting a lot of our technology through licensing agreements, we will develop it on our own. This means we will be hiring more R&D people".

Ms Barbara Caldwell of the Canadian Manufacturers' Association, and a small clothing manufacturer, said the lowering of tariffs will have less impact than will changes occurring in worldwide competitive conditions such as technological change, shifts in consumer preferences, the emergence of new competitors, and exchange and interest rate differentials. Mr. Ron Zimmer, General Manager of the Prairie Implement Manufacturers Association (PIMA) said his sector has had duty-free status since the 1940s, an action taken on both sides of the border in order "to keep the input costs for farmers down". Without tariff protection, "the industry actually survived and grew and prospered" because a majority of the components and raw materials that go into the manufactured product is purchased in Canada. PIMA's members also have other competitive advantages:

Shortline manufacturers have been able, partly because of their size and partly because of the products they have produced, to compete very competitively with the mainline companies, with the large manufacturers.



In contrast with this generally positive testimony about the effects of tariff reduction, Ms Marjorie Cohen argued that the elimination of tariffs will not only impact negatively on industries producing only for the domestic market because of tariffs, but will completely destroy some industries. This would be the case, for example, for the textile industry which will be decimated by larger U.S. firms. M. Pierre Dupuis of the Coalition québécoise d'opposition au libre-échange made a similar point, arguing that since Quebec is the biggest producer of clothing in Canada but exports very little of its overall production, "the removal of tariffs on clothing and textiles will mean the loss of approximately 40,000 jobs in the Province of Quebec".

There were differing opinions within the textile industry as to whether the changes in the rules of origin will impact negatively on their industry. In its Brief to the Committee, the Canadian Textiles Institute said "a growing majority of firms believes it can survive in an FTA provided the adjustment and transition conditions are adequate". However, Doubletex, a textile firm with about 500 employees, said the rules of origin requirements will be detrimental to the textile industry, the apparel industry, and the Canadian consumer:

... People will take certain American constructions and duplicate them offshore. They will bring in these fabrics from offshore, as well as buying small amounts from American mills, average out their costs, and export these fabrics into the U.S. market. Once the fabric is dyed and finished, or in garment form it will be impossible for customs officials to tell the difference between North American fabric and offshore fabric.

Among the most controversial testimony presented during the hearings was John Ralston Saul's charge that "there is a gaping hole in the Agreement, a hole through which billions of dollars worth of cheap Third World (i.e. Mexican) products, which are also sophisticated American goods, will come flooding into Canada". Mr. Saul explained that under Mexico's "Maquiladora" industrial program, raw materials and components "may be imported from the United States tax-free, manufactured in Mexico, and re-exported tax free", except for a "minor" American value-added tax on imported manufactured goods. These products "are treated within the United States as having an American origin". He charged that the provisions on rules of origin in the Free Trade Agreement do not address this issue.

A letter to the Committee from Ambassador Ritchie, information from the Committee's trade consultant and testimony from Mr. Kevin Gore, Working Group Head for tariffs and customs matters for the TNO contradicted Mr. Saul's assertions. In his letter, Ambassador Ritchie said the rules of origin "have been designed specifically to prevent the benefits of the FTA from flowing to goods produced under these circumstances". The FTA provides for the continuation of tariff benefits such as the Maquiladora program when



goods are consumed in the United States, but "the rules of origin will assure that the goods do not qualify for preferential treatment under the Agreement". Thus, finished products from Mexico with an American value-added component would be treated as an import from a third country.

In his testimony and in a letter in response to Ambassador Ritchie's comments, Mr. Saul argued that it will be impossible for Canadian customs' officials to identify Mexican as opposed to American value-added content and, consequently, impossible to enforce the FTA provisions. Mr. Kevin Gore argued that enforcement will be through current Canadian and American law and changes in those laws as outlined in the FTA. If the Americans do not properly inspect and document the value-added components of a particular product, Canada will not designate those products as qualifying for FTA treatment. Gore added that "North American content means Canada and United States content".

## **Intellectual Property**

### **(A) Officials**

According to Ambassador Reisman, both sides wanted a chapter on intellectual property, but because Canada was not prepared to make certain commitments on pharmaceuticals that the Americans demanded, "the whole chapter fell off the table." Instead it was agreed to continue working at these issues with the United States bilaterally and also internationally in the GATT. Ritchie's testimony expanded on this. The Americans' initial position on intellectual property was "that they wished Canada to cease to impose compulsory licensing of any shape or form on any industry, including the pharmaceutical industry. From that first day to the end of negotiations under no circumstances were we prepared to abandon the right to apply compulsory licensing to pharmaceuticals and to certain other categories as well, under certain circumstances". On the day before the final day of negotiations, the Canadian government had reasserted its intention to proceed with Bill C-22 and had allowed that intention to be incorporated in a one-page note, which was for final review and discussion. "While the government had repeatedly stated it would proceed with Bill C-22, it also repeatedly reiterated its view that the bill had no place in the trade agreement and it had nothing to do with any commitments that had been entered into or would be entered into with the United States." At the eleventh hour, the U.S. continued to press for a provision in the FTA to eliminate the compulsory licensing on pharmaceuticals, which was rejected by Canada. As a result, "the intellectual property chapter fell to the ground, and no commitment was made in the Agreement with respect to Bill C-22".



(B) Witnesses

A number of witnesses criticized what they saw as the connection between the FTA and Bill C-22. Mrs. Marguerite Chown, Vice-President of One Voice-Seniors Network, said that the amendments were developed "in the context" of the discussions surrounding the FTA.

**Wine and Distilled Spirits**

(A) Officials

Ambassador Ritchie explained that Canada had made a number of commitments in this area in the Tokyo Round of GATT negotiations but some of our trading partners have argued that we have not lived up to those commitments and have taken us to the GATT panel. The panel has reported but the report is not yet public. Canada and the EEC are trying to resolve their dispute through negotiation. The U.S. has also threatened a 301 Action against Canada based on a number of the same allegations currently before the GATT panel. If this petition were successful, it would negatively affect the trading of Canadian wines, beers and distilled spirits.

The FTA incorporates a new regime for wines and distilled spirits, under which Americans will have national treatment on listings and distribution of wines within Canada. Discriminatory price mark-ups will be phased out. The listing advantage for B.C. estate wineries will be maintained, as will pricing mark-up differentials where they are based on differences in cost of service and private wine stores in Ontario and B.C. will be grandfathered. There is also a new regime for distilled spirits. Tariffs on whiskey will be eliminated immediately as will discriminatory practices. Each party will recognize one another's Kentucky bourbon and Canadian whiskey. Beer is not covered by the alcoholic beverages chapter of the FTA, although tariffs are removed on beer.

(B) Witnesses

The Committee has described the testimony of the grape growing industry in Canada earlier in the agriculture section. Concerning Canadian wineries, the Committee received a brief from Mr. Donald Ziraldo, President of Inniskillin Wines. In talking about the estate wineries, Mr. Ziraldo said the industry wanted a ten-year transition period for the removal of tariffs rather than the 50 percent reduction in the first year and also wanted provincial and federal help for marketing, development of new varieties, and adjustment assistance for those who may wish to get out of the industry.



## Dispute Settlement

### (A) Minister and Officials

The Honourable Pat Carney said that the objective of the Canadian government "and what it obtained, was a system which would end arbitrary and unfounded actions against successful and competitive Canadian exporters in the U.S. market". She characterized this system as providing for Canadian exporters "an impartial, binding and binational body to which they can appeal when subjected to U.S. trade remedy law".

There are three main dispute settlement mechanisms: the general dispute settlement mechanism; the import safeguards, dumping, anti-dumping and countervail duties; and there is also the Canada-U.S. Trade Commission, which Ambassador Ritchie characterized as "the political management of the Agreement, at the ministerial level". This Commission will attempt "to avoid disputes and oversee the development and evolution of the Agreement".

The general dispute settlement provision has been called the "GATT plus system" and it will function in the following manner:

In the event that either country feels the other country has taken some action that is inimical to their interests under this Agreement, it will be open to them to require the other country to notify them of such actions, to consult about it and to raise a case about it. If they are unable politically to resolve the dispute, then there would be a panel review of the matter and the panel would make its recommendations. If both parties agree to be bound by the decision of the panel, then it would indeed be a binding form of dispute settlement.

However, I must say in honesty that where for example we have such a provision under the International Joint Commission, it is never used. The reason is that if you think you have a weak case, you do not agree to be bound by a panel decision. This is for the general purposes under the Agreement. It gives us a sort of GATT-plus set of rights.

According to Ambassador Ritchie the regime of binding dispute settlement on import safeguards will be used "when one country believes a surge of imports from the other country is doing them damage. They are not pretending the imports are subsidized or dumped but that they are being damaged by the surge of imports. Under the Agreement, all the panel decisions will be binding in this area". The safeguards are such that "where the reduction of tariffs could have caused a surge of imports, the importing country will be allowed to reinstate the tariff." These provisions will only apply during the first 10 years of the Agreement. Restrictions are limited in that they have to preserve the trend of the other country's exports, provide for growth of those exports, and provide for compensation. The panel's role in this regime would be to determine whether the required conditions were met before the control was put in place and, if not, it would be struck down. The



panel would also determine whether the action taken and the compensation offered were consistent.

Ambassador Ritchie then described the regime for dumping, anti-dumping and countervail duties. He said the present Canadian and U.S. laws on the definition of what constitutes dumping and the circumstances under which anti-dumping duties may be applied are "almost identical and are in conformity with the GATT". On the other hand, Canadian and American laws on the definition of a subsidy and under what circumstances a product may be subject to countervailing duty "are in some important respects similar and in other important respects dissimilar". The negotiations leading up to the FTA did not produce a new set of rules on what constitutes fair trade because the Americans were not "seriously engaged in the negotiations on this point until very near the end". It was agreed, however, that negotiations in these matters would continue over the next five years with an additional two-year grace period and agreed-to rules will be binding. It was acknowledged that if there was no agreement by that time, the whole Free Trade Agreement could be jeopardized.

Ambassador Ritchie and Mr. Gary Horlick, Legal Adviser to the Trade Negotiations Office, argued that the regimes on import safeguards, dumping and anti-dumping and countervail duties, and the general dispute settlement are all binding, with the qualification that the general regime is only binding when there is prior agreement that it will be. Mr. Horlick pointed to the binding commitment by both parties in paragraph (a) of the Dispute Settlement clause not to violate decisions made by the panel. If a decision is violated, "then there is a process wherein you have to change it or be subject to sanctions . . . . In terms of international agreements this is as binding as they come". Ambassador Ritchie pointed out that the binational dispute settlement mechanism has "no parallel" in the GATT mechanism because under that mechanism "we and other countries are not bound".

Ambassador Ritchie and Mr. Horlick both argued that the binational dispute settlement mechanisms are preferable to the status quo, for a number of important reasons. First of all, decisions of the panel would be binding; secondly, these decisions would be framed against the provisions of the FTA, which fully incorporates but substantially goes beyond the provisions of the GATT; thirdly, the panel process should be considerably more expeditious and expert. A decision by the binational panel must be made within 300 to 315 days compared with the present system of American judicial review which on average, takes two to four years. "About the fastest decisions you are going to get out of the Court of International Trade on a full review of a case will be more than a year". Mr. Horlick saw advantages, as well, in the five-member binational panel, rather than the present arrangement in which one judge from



the Court of International Trade makes a decision. A larger panel, he argued, is more likely than a single individual to make consistent and predictable decisions, a matter of great importance in trade law. Finally, Mr. Horlick, saw a major advantage in the decisions of these tribunals not being subject to Congress unless Canada was specifically named in U.S. Legislation. He noted that the Congress is most reluctant to name specific countries.

Discussion arose as to whether the 1986 Softwood Lumber ruling would have been decided differently had the dispute settlement mechanism on countervailing duties been in place. Mr. Horlick explained that this case was based on the decision by one judge in 1985 and that the loose language of the judge's decision "gave a signal to the U.S. lumber industry to file their second lumber petition, and the U.S. Department of Commerce used that to justify the preliminary application of duties". He pointed out that:

In May and June of this year, three other Court of International trade judges ruled on the same basic issue. They all came down with a very different set of principles, a set of principles under which you probably would not have seen the second lumber case. What that means basically is that if you get a five-judge panel then you are more likely to get a statistically averaged, smoothed-out variation than if you just have one judge. That is a sobering history.

Mr. Konrad Von Finckenstein, General Counsel for the Trade Negotiations Office, argued that nobody knows whether the binational panel would have come up with a different verdict, "unless you try it before the binational panel. Clearly the binational panel would interpret the law and would see that it has been properly interpreted and properly applied".

During the course of the Committee hearings, the question was also raised whether the dispute settlement mechanism would be invoked automatically once a petition had been made. IPSCO President Roger Phillips argued that since only the two federal governments can appeal to the binational panel, "this opens the way for potential abuse. One can well imagine a government deciding not to invoke a panel for broader reasons of Canada-U.S. relations, even though a particular company had a legitimate problem". It was also suggested that if this were the case, the panel's procedures may be in violation of the Canadian Charter of Rights and Freedoms. When the matter was first brought up, Mr. Von Finckenstein argued the following:

... Either government invokes the process, the hearing takes place before the binational panel, and the parties concerned of course can appear before the binational panel and state their point of view, be represented by counsel. So it is not a question of denying somebody's rights, that they do not have a chance to be heard and make their point clear. It is a question of who can invoke the process. Either government can invoke the process, either on their own volition or at the behest of one of the affected parties.



When this matter was raised again at a later date, Ambassador Ritchie stated that the triggering of the panel will occur in the event of a petition by private parties, and this triggering will be "on an automatic basis". Mr. Von Finckenstein added that "the same parties who right now have standing to argue and submit their case and argue before the courts when conducting judicial review will have the same standing before the binational panel and the same thing will apply on the U.S. side".

#### (B) Witnesses

The Honourable Donald Macdonald summarized the recommendations of the Royal Commission Report concerning dispute settlement: "The disputes between (Canada and the U.S.) should be resolved by a process that would provide a more objective trial of the facts in dispute. We required the tribunal to measure those facts against the more general criteria of international trade law. We asked for an informed recommendation from the tribunal that would lead to the settlement of disputes. We thought that if these measures could be adopted, we would substantially advance our trade interests in an international context". He acknowledged that the agreement on dispute settlement did not meet all of these conditions: "We had in effect proposed to lift out of domestic proceedings, either before the Canadian Import Tribunal or before the International Trade Commission the prosecution of . . . particular trade cases and (the negotiators) did not achieve that". Despite this, in terms of what was agreed to "you have an objective criteria with which to apply both in the general dispute resolution and in the case of anti-dumping and countervailing duties". On the question of safeguards "it is quite clear that the proceedings there are mandatory". Professor Alan Rugman of the University of Toronto argued that the provisions on dispute settlement "represent such a vast improvement over the abuse of existing U.S. trade law procedures that it is of significant benefit to Canada." In particular he saw this new mechanism as influencing and potentially reversing questionable investigative practices of U.S. trade laws". In particular, he argued that the dispute settlement mechanism "would have been effective in overcoming, in effect, the prejudice of the American tribunals, which was so evident in the softwood lumber case".

There was a division of opinion among other witnesses who commented on the dispute settlement mechanism. The supporters of the mechanism, while acknowledging that it did not constitute "a panacea" for the resolution of all trade disputes between Canada and the U.S., argued that it represents "an important step" in the right direction and is clearly preferable to the status quo, especially given the rise in protectionism in the United States. It was argued that the dispute settlement mechanism would also lead to a streamlined process which would handle legitimate trade disputes and discourage illegitimate petitions. As Professor Lipsey suggested, "we wanted incremental



gains in getting some relief from American trade laws. We never thought we would get the complete exemption". A substantial number of those who supported the Agreement also said they would not have favoured immediate and binding rules on dumping, anti-dumping and countervail duties, but preferred a gradual phasing in of the rules.

Many witnesses who were critical of the Free Trade Agreement tended to dismiss the dispute settlement mechanism because they saw it as falling far short of the kind of binding mechanism Canada had originally sought to obtain from the negotiations. Critics also saw this very complex element in the Agreement as one area in which it was impossible to make well-informed judgements in the absence of a final legal text. Other critics pointed out that, because existing U.S. trade laws will continue to apply, the dispute mechanism does not affect the ability of U.S. law to inhibit fair Canadian trading practices. Moreover, the argument was made that the tribunal can only rule on whether or not an American trade remedy law was applied fairly in a specific case, not whether the law itself is unfair. Professor Wilkinson said the powers of the binational panel pale in comparison to the clout of some states in the United States:

One state in the U.S.—New Mexico—and two producers in that state had enough power to cause the price of potash to be raised for all agricultural products in the United States. Five states producing lumber had the power to raise the price of lumber in the U.S. for all consumers throughout the United States . . . There is the case where one state or five states in the American union have more power in Washington than all of Canada does.

Many critics also argued that the panel should have been given more binding powers. IPSCO President Roger Phillips remarked that "we will not get many more reversals than we now do in the U.S. courts because the binational panels will be just as restrained in their jurisdictions". Mr. John Robinson, a P.E.I. potato producer, argued that the shorter time of the appeal process under the FTA might have a negative effect in that fewer American companies would be deterred from entering complaints into the process.

Professor Denis Stairs of Dalhousie University made a more sweeping criticism of the dispute settlement mechanism. "It has never seemed to me certain that a binational process, guided by market-oriented conceptions of what is just and rational in public policy, would necessarily operate in the Canadian interest." He was concerned that the procedures provided for in the Free Trade Agreement could "lead to extensive American intervention in response to Canadian policy initiatives in a variety of fields at both the federal and provincial levels."



## **Standstill**

Concern was expressed as to whether the standstill provisions would be honoured by the United States, particularly in light of the pending omnibus trade bill. Mr. David Orchard who testified before the Committee in Regina said it was very clear that there was no exemption for Canada in that legislation, which could go into force before the Agreement. Ambassador Reisman acknowledged that there are "bits and pieces in the omnibus bill that run counter to" the FTA, but he interpreted the standstill provision to mean that the U.S. Administration would act to prevent this kind of "undermining" of the Agreement. Ambassador Ritchie later testified that the standstill provisions are clear enough that Canada "would be under no obligation to ratify this trade agreement if in, the intervening period, the United States had introduced legislation that fundamentally offended against our GATT rights and obligations or the spirit and content of this agreement".

Ritchie also argued that the spirit in which both parties entered into the FTA is one of "trying to bring order to the international markets". The question was raised as to whether the recent increase in the budget for the U.S. export enhancement program and the initiation by the Americans of talks on the terms of sale of grain to China, an important Canadian export market, are not in violation of the "spirit" of the FTA and the Standstill clause. Ritchie said that "while there may be come moral suasion exercised there is nothing in the letter of the Agreement that would preclude this sort of madness in the international grain markets".

## ***The Consequences of the Free Trade Agreement***

Apart from testimony that addressed particular aspects of Elements of the Agreement, many witnesses raised more general points about the consequences of such an agreement for Canada. This discussion fell into two broad categories: economic consequences bearing on such things as jobs and investment; and social, cultural and political consequences having to do, in one way or another, with Canada's ability to maintain its own distinct identity, policies and programs. We will describe the discussion of each of these areas of concern in turn.

### **The Economic Consequences**

#### **(A) The Minister**

The case for the Agreement was initially stated by the Hon. Pat Carney, Minister for International Trade. She described the world Canada faces today as "fiercely competitive, technologically intensive and large scale". Reminding the Committee that Canada was the only major, western industrialized country



without secure access to a market of more than 100 million people, the Minister listed five broad benefits of the Agreement: improved defence against United States protectionism; consumer benefits by way of greater selection of goods and services and lower prices; increased employment and investment; and enhanced international competitiveness. The Minister had this to say on the subject of jobs: "Though it is impossible to forecast exact figures one thing is certain: the greater economic activity resulting from increased exports will create thousands of new jobs in virtually every sector of the Canadian economy".

She went on to describe the adjustment process as consisting of people moving to new jobs in expanding economic areas from industries that are already declining and promised that the government would spend "whatever is necessary to ensure that the transfer to these expanding jobs takes place". Ambassador Ritchie added that among industrialized countries, free trade arrangements have "without exception" resulted in increased output, in employment gains and reduced prices beyond which would otherwise be the case. Adjustment problems, he suggested, had also proven to be "very substantially less than foreseen at the beginning".

#### (B) Witnesses

The Honourable Donald Macdonald had earlier chaired the Commission which recommended that Canada should negotiate a free trade agreement with the United States. He explained the Commission's conclusion as arising from the central importance of manufacturing to Canada's economic prospects and the need to develop more versatile and competitive industrial sectors. In Mr. Macdonald's view, the Free Trade Agreement would help to achieve that goal. "The Canadian economy will now be able and be forced to adjust to competitive realities in the world".

A wide variety of business associations, representing big business and small and various economic sectors appeared before the Committee to declare their support for the Free Trade Agreement. Most of these witnesses acknowledged that there would be costs associated with implementation of the FTA but uniformly expressed confidence in the ability of the private sector, with appropriate government assistance, to manage the adjustment process. They also expressed enthusiasm for the new opportunities that the Agreement would open up. The Canadian Chamber of Commerce well represented the general tenor of business testimony. "We do not (endorse the Agreement) because we see it as a panacea, not because it is an initiative without risks and not because it is a venture without costs. Rather we see the Agreement as a positive and necessary condition of Canada's future economic vitality and international competitiveness".



Running through this testimony were a number of common themes. The first was that the Agreement, while far from perfect, would help to defend Canadian business against the rising tide of American protectionism. John Bulloch, President of the Canadian Federation of Independent Business—an organization that represents some 80,000 small businesses in Canada—thought it a “bloody miracle” that Canada was able to get an agreement at a time when the U.S. had to turn around a \$150 billion trade deficit. Other witnesses echoed this theme, and pointed to the growing number of American actions against Canadian exports. One witness, citing the large Canadian trade surplus with the U.S. remarked: “It is that very success we have had and the size of that surplus that has made us very nervous”.

A second theme, perhaps the clearest to come from the business community, was that free trade would sharpen the competitive abilities of Canadian entrepreneurs, first in the North American market and thereafter in the world economy. Tom d’Aquino of the Business Council on National Issues described the Agreement as “the easiest, the quickest and the safest way to achieve worldwide competitiveness”. The point was made repeatedly that free trade with the United States complements, and indeed is a precondition of, international competitiveness. The larger North American market would, in the words of the Chamber of Commerce, generate “higher throughputs and lower costs” and permit many Canadian companies to get into an “economic niche strategy” with much higher value added.

Other important benefits cited by witnesses included expanded foreign investment in Canada and the probability of lower consumer prices. Mr. Jean Bélanger, President of the Canadian Chemical Producers’ Association, testified that under the FTA Canada has the potential to attract new investment in petrochemical facilities as “Canada increasingly becomes a location for accessing the North American market.” Mr. Jim Lambie of the CCPA remarked that the status quo “may reduce investment rather than increase it because of the difficulty of getting over tariff and non-tariff barriers into the U.S. market.” He pointed specifically to the methanol industry as operating at 50% capacity because of the recession in the early 1980s but also 18% duties on its products entering the U.S. market.

Most supporters of the Agreement also expressed confidence that overall levels of employment would rise or at least not suffer as the result of the Agreement. Donald Macdonald acknowledged the difficulty of precise forecasts in this regard—“because you are talking about a dynamic economic process”—but went on to describe the general experience following the removal of trade barriers as “improving the wealth of a particular community”. Geoffrey Hale, of the Canadian Organization of Small Business,



reasoned that the FTA would lead to more jobs "to the extent that lower tariffs lead to lower prices for Canadians and greater purchasing power".

Many witnesses who supported the Agreement acknowledged that free trade was not a risk-free strategy but went on to argue that stiffer competition was a challenge Canadian business had to meet in any case. The Canadian Federation of Independent Business:

It is our view that the adjustments small and medium size firms will have to make over the next ten years as a result of changing technology and increasing competition from newly industrializing countries will be more severe than any adjustments that will be required as a result of a lowering of Canada's trade barriers with the United States. The new bilateral trading arrangements will, however, enable small business to cope with the forces of change from a position of strength.

In general, business witnesses expressed strong confidence in their ability to manage the adjustments that free trade would entail. Witnesses from The Business Council on National Issues, which represents the vast majority of the country's largest enterprises, predicted that, as a result of the ten year phase-in of free trade, the degree of adjustment would be "substantially smaller" than critics feared. Alfred Powis, Chairman of Noranda Inc., remarked:

It is my belief that industry is going to look after most of the needed adjustment by itself. We are going to have to regroup our manufacturing facilities but we are not looking for any government help to do that. We will do it ourselves and we will prosper and create more jobs at the same time.

Other business witnesses said that some adjustment programs for firms and employees alike are necessary. Mr. Tom Akin of the Metropolitan Toronto Board of Trade:

The Board is encouraged by the recent initiative of the federal government to provide assistance to the grape growers and wine producers and we are hopeful similar initiatives will be made by both federal and provincial governments in those sectors that may be adversely affected.

Turning to particular business sectors, the Canadian Federation of Independent Business asserted that small businesses generally would benefit, although it was acknowledged that some retailers near the Canada-U.S. border "could get hurt"; the Canadian Steel Producers testified that "short term adjustment and restructuring may have to take place" but that overall reductions in employment were not expected; and the Canadian Chemical Producers' Association reported that "most chemical producers, even those most strongly in favour of bilateral free trade, foresee difficult transitional problems ahead" but "are confident about their ability to address these problems during the phase-in period for the FTA".



In summary, the supporters of the Agreement testified that the benefits of the FTA far outweigh the costs, which are manageable. In any case, many of them argued, there was no practical alternative. To confront the danger of American protectionism without such an Agreement, John Bulloch suggested, was to invite a future that "would be quite excruciating".

The Hon. Mitchell Sharp, a former Secretary of State for External Affairs, was the first opponent of the proposed Free Trade Agreement to appear before the Committee. He began by describing himself as a lifelong free trader but opposed to a special agreement with the United States and he questioned whether it was a wise or necessary response to U.S. protectionism:

There is of course the possibility that without the proposed trade agreement or, I guess I should add, even with it given what we know about the Agreement, the U.S. could take protectionist measures against some imports from Canada. But it would be wrong to conclude that this is bound to happen and very unwise to make fear of temporary protectionist measures a reason to enter into a permanent, irreversible preferential trade agreement.

Mr. Sharp went on to acknowledge that "on balance, after things had settled down there might well be net economic benefits" to free trade but that the price to be paid for that "marginal improvement in standards of living" would be the "progressive erosion of Canadian independence and identity".

Many of the opponents of the Agreement were far from conceding its net economic benefits. Duncan Cameron, Professor of Political Science of the University of Ottawa, remarked that he had never seen a reputable study on free trade that suggested it would generate more than a 10 per cent increase in GNP over the ten year phase-in period, a level he described as statistically insignificant. He went on to argue that the failure to get a new set of rules on countervail made it likely that new investment in North America would go to the United States not Canada. Steven Richards of the Consumers Association of Canada, expressed doubt that the Agreement would have the effect of reducing consumer prices in Canada. He said the Association "is concerned that statements claiming that (the FTA) will lead to substantial savings for consumers may be misleading and have not been adequately substantiated". Cheryl Boon of the National Anti-Poverty Organization (NAPO) argued that "the big winners in terms of consumer gains are going to be the middle-income consumers who are able to take advantage of the cheaper prices on luxury goods".

A number of witnesses appeared before the Committee to document what they saw as potential job losses. Mr. John Trent, Chairman of the Council of Canadians, predicted the loss of thousands of jobs because "under free trade many American branch plants will close their Canadian manufacturing



operations and transfer their production to the United States.” He went on to say that this transfer of production “is not because we are less efficient and hard-working, but because in manufacturing and agriculture we face higher production costs.” Pierre Dupuis, a consultant with the *Coalition Québécoise d’opposition au libre-échange*, testified that he was afraid the removal of tariffs on clothing and textiles would mean the loss of approximately 40,000 jobs in the Province of Quebec. He added that it would also spell the “short-term loss” of another 20,000 jobs in other manufacturing sectors and 6,000 to 7,000 jobs in transportation and business services. Marjorie Cohen argued that the anticipated sharp job losses in textiles and clothing would impact most severely on women who were concentrated in that industry. She pointed out that textiles and clothing were still the largest industrial employers in Canada but particularly vulnerable to competition from low-wage, non-unionized parts of the United States. As she saw it, the effect of tariff removal would be to destroy jobs and to drive down wages and working conditions. She concluded that in many cases the burden of adjustment to free trade would be borne by women—immigrant women, older, less educated women—who are least able to bear the cost:

When the government tells us that we must adjust to the restructuring that free trade will bring, they are really telling us we must be prepared to accept lower wages and poorer working conditions. This is really blackmail. If we do not accept these competitive conditions, we are told we will lose our jobs.

Witnesses before the Committee spoke of other economic sectors in which job losses or other costs of adjustment would be especially high. The National Farmers Union (NFU) and the *Union des producteurs agricoles (UPA)* of Quebec warned of a threatening situation confronting many farmers. Wayne Easter of the NFU, which represents some 8,000 family farmers, testified that the effect on wheat farmers was highly uncertain, would be negative in the case of poultry, dairy and horticultural production because of lower cost American imports but acknowledged the Agreement appeared to be a big plus for red meat producers. On balance, Easter saw free trade as having “serious negative effects” on the farm sector:

The bottom line is that the American prices actually become the price-setters and it means lower returns to Canadian farmers in total . . . It means rural disaster—not only farm disaster, but rural disaster—in many of the rural communities of Canada.

M. Jacques Proulx, President of the Quebec UPA, cited three dangers to agriculture in Quebec arising from the Free Trade Agreement: direct harm as the result of the removal of tariffs, the opening of the market to imitation foods and the phasing out of government subsidies that are important to agriculture. He predicted that the Agreement would accelerate the trend towards American agribusiness.



Our producers may not lose their jobs but they will become workers, employees of Cargill and a host of multinationals.

Underlying the criticisms of many opponents of the Free Trade Agreement was the perception that it represented a fundamental shift in Canadian economic policy towards undue reliance on free markets. James Hyndman, representing the Council of Canadians, argued that because of its size, its regional diversity and its relatively small population, Canada needed appropriate industrial policies "to go hand in hand with the efforts, of private enterprise and the pulls of market forces". He and other witnesses saw the Agreement as diminishing the capacity of the Canadian government to put such policies in place. Duncan Cameron saw the Agreement as giving up cost advantages of lower cost oil or hydro-electricity and, thus important tools for industrial development. Marjorie Cohen described the Agreement as a policy of "macho economics where you are leaving everything to the market". To this, several witnesses added the thought that in tying its economic destiny even more closely to the United States, Canada was pursuing a very risky policy. In the words of the writer Margaret Atwood:

If you are going to hitch your wagon to a star, if you are going to merge your economy totally with another one, why not a rising star, instead of one that is hovering so close to burnout?

The impact of the proposed Free Trade Agreement on the north and on the native people of Canada was also explored during the course of the Committee's hearings in the Northwest Territories. Mr. Bill Erasmus, President of the Dene Nation, argued that while native people have always seen themselves as a people who can trade and barter, "from the beginning the rules are set up wrong and they do not provide us the opportunity". This is the case because the territories are "unique":

We have never given up any of our rights (in the territories). . . And for us to assume that we can make a few dollars and to assume that we can get ourselves in the job market, after someone else makes a deal. . . is not what we are looking for.

The Honourable Nick Sibbeston, Deputy Government Leader of the Northwest Territories, saw the FTA as "generally" positive in providing stimulus to the development of arts and crafts, tourism, commercial fishing and trapping. He also saw it as likely to stimulate exploration and production in the north in mining, forestry and the oil and gas sectors due to reduced operating costs. At the same time, he expressed apprehension that the Agreement might compromise the ability of governments at all levels in Canada to work to reduce regional disparities. For this reason, he concluded: "There are just too many uncertainties to give unqualified support." Mr. Shakir Alwarid, Deputy Minister for Economic Development for the Yukon Territorial Government, was more sharply critical of the FTA. He pointed out



that the Yukon has had "a colonial economy" and, for that reason, the Yukon government decided to develop its own economic strategy, in which "Local control emerged as the absolutely central theme". The result of these efforts is "a vibrant, expanding economy" but Mr. Alwarid expressed concern that the continental trade deal would take the Yukon in another direction:

From what we know about the arrangement so far, it may return us to the narrow, weak and colonial past that our community has rejected.

## **Social, Cultural and Political Consequences**

While much of the general debate about the proposed Free Trade Agreement focused on dollars and cents matters—competitiveness and employment, investment and income—the testimony presented to the Committee frequently went beyond economics to the question of Canadian identity and independence. However much they may have differed on details of the Agreement, many witnesses on both sides of the issue agreed that it represented an important milestone in Canadian history.

### **(A) The Minister and Officials**

The Minister of International Trade, while stressing the economic benefits of the Agreement, insisted that it scrupulously protected the Canadian ability to maintain social and cultural policy and, in general, it strengthened Canadian sovereignty:

The best evidence of protecting our sovereignty is the fact we retained totally outside the agreement those essential elements that are important to us. . . For instance, the government has said that our social programs are not part of the agreement, our regional development initiatives are not part of this agreement and our cultural policies are not part of this agreement. Those are important aspects of sovereignty to us and we have retained them by totally excluding them from the agreement.

The Minister went on to make the additional point that, in the broad sense, a country increases its sovereignty as it increases its economic strength:

A strong country is by definition more sovereign than a poor country, more able to stand on its own feet than a country that is weakened by protectionism.

Ambassador Ritchie explained that there was a "fundamental distinction" between a common market that looks towards a political union and a free trade area, such as The Canada-U.S. FTA, that "does not." The FTA "does not envisage any form of political integration whatsoever but does envisage the removal of trade barriers between the two countries."



(B) Witnesses

**Social Programs**

Many supporters of the FTA pointed out that social programs had been specifically excluded from the Agreement but that they would nonetheless benefit from the increased economic well being that would result from the Agreement. Mr. John Herrick, Chairman of the Board of the Canadian Chamber of Commerce observed that social programs cost a lot of money, but went on to say:

it is our opinion that we are going to have a healthier economy after free trade than before, and business will be in a better position to afford these things. Without a free trade agreement we will not be able to afford them.

Mr. Bernard Landry, Professor of Economics at the University of Quebec in Montreal and a former Quebec Cabinet Minister declared that he himself would be opposed to the Agreement if he believed it would destroy Canada's social programs. However, he argued that Canadian programs, like Medicare, are not only more humane than U.S. social programs, they are also more economically efficient. He concluded that if there was to be a "harmonization" of social programs, the U.S. would have used great pressure to raise its programs to the level of Canada's. The Honourable Gerald Regan, former Premier of Nova Scotia and Federal Cabinet Minister, argued that increasing dependence on the U.S. market has manifestly not eroded Canada's social security system:

indeed . . . it has been enhanced by the expansion of the U.I. system and the barring of extra billing for medical services as well as other improvements. If the removal of 85% of the (trade) barriers has left our social system intact, why should the dismantling of the remaining 15% cause such a change?

The Honourable Eric Kierans challenged the argument that the FTA, by generating additional wealth, would strengthen Canadian social programs. He argued that the whole range of programs, from Medicare to pension plans to equalization payments would be in jeopardy not because the United States will insist on their removal, but because we will not be able to afford them. "Our tax rates cannot be higher than American tax rates and our ability to finance by deficit and borrowing is coming to a close. Canada will be the periphery to an American core."

Other critics, while acknowledging the formal exemption of social programs from the provisions, saw the ongoing discussions on the definition of a subsidy as an ominous sign for Canada's social programs. Marjorie Cohen and a number of other witnesses depicted the process as a disguised attempt to change the policy landscape in Canada.



It is a kind of slash and burn technique where you can get rid of social programs and inconvenient labour legislation simply because you can say well, the market did it; we in the government did not do it.

Mrs. Marguerite Chown of the One Voice-Seniors Network expressed the fear that the FTA would accelerate the process of turning hospitals and other health care institutions over to private companies, "and for the most part . . . these are American-based management teams that are coming in. If it is done for profit, there just is not the same attention to the needs of the individuals who are being served." The Saskatchewan Pro-Canada Network saw previous government initiatives as evidence of what is to come:

It is not a coincidence that at the same time it was negotiating a trade deal with the Americans, the government of Canada was moving to Americanize our economy through privatization of public assets and services and deregulation of industry. Deregulation and privatization are essential tools in preparing the ground if the American demand for a level playing field is to be met.

## (2) Cultural and Political Consequences

Mr. Robert MacIntosh, President of the Canadian Bankers Association, agreed with those who believe that Canadian culture must be protected but went on to argue that economic prosperity was a precondition of such protection:

When we have budget cutbacks and attempts to reduce the deficit, one of the first things that gets whacked is culture. There is clearly an economic base for it. I am saying that the economic base for our cultural institutions is one where a more prosperous economy will benefit them. There is an indirect benefit.

Supporters of the Agreement saw Canadian culture as sufficiently robust and vital that it would not be seriously threatened by what they described as an incremental increase in trade between Canada and the United States. The Honourable Donald Macdonald challenged the notion that "simply by doing more business with the United States" Canada would disappear:

My view of the Canadian will to be a nation is that it is not dependent on the current tariff levels between the two countries, or indeed even the institutional arrangements you might have with them to deal with disputes in trade cases. It is ultimately founded upon a conviction on the part of Canadians that they want to maintain a separate national identity in the northern part of North America.

Robert MacIntosh argued that over the past forty years—when Canada-U.S. trade barriers had been substantially reduced and two-way trade had greatly expanded—the Canadian identity had grown stronger. In John Bulloch's view Canadian culture and values have nothing to fear from free market forces because they are one of Canada's great economic assets.



We are a tolerant, thoughtful society. We have social programs that protect people and we do not have the excessive interventionism that characterizes Europe. We are sitting pretty; we are the envy of the world; and we are going to get more than our share of the investment as international companies in Europe and Asia are forced to locate operations in North America. Our distinctiveness, our sovereignty, is the big draw.

Mr. Bernard Landry, a strong Quebec nationalist, made the following point:

Generally speaking, Canada is an extended common market, and Quebec nationalism was able to develop inside the common market. I think it is an illustration that a free market is not a threat to nationalism and identity.

John Crispo argued that Canada's sovereignty will be strengthened with the FTA:

No country ever signs a treaty on any subject with any other country without compromising its sovereignty . . . . The issue is did we get enough for what we gave up to make it worthwhile? . . . . In overall sovereignty we gained because we got the U.S. to yield on sovereignty in an area where no other country got it to.

By contrast, critics of the agreement saw the Free Trade Agreement as a major step towards eventual economic integration of Canada into the United States, with a steady loss of sovereignty and independence in both the domestic and foreign policy realms. While acknowledging that the Agreement itself exempts culture from its provisions, opponents argued that such exemptions will be overwhelmed by a process of "harmonization" of Canadian with United States policy. The Hon. Mitchell Sharp observed that "the pressure to bring our laws and customs into line with theirs would be continuous", and pointed to exchange rates and external tariffs as two of the first areas where this pressure would be felt.

Critics argued that the Agreement represented an abandonment of traditional Canadian policy in both domestic and foreign policy areas. The provisions on energy and investment, some argued, constitute major losses of Canadian economic policy-making tools. Morris Miller, a Director of the Council of Canadians, asked: "Whenever did a country forego the right to discriminate in favour of its own citizens? This is the very essence of sovereignty."

In international relations, critics claimed, the Agreement represents a sharp break with past policy, a turning away from Canada's traditional multilateralism in favour of a bilateral partnership with the United States. The results, they went on to argue, would be the elimination of Canada's room for manoeuvre in its dealings with the United States and the erosion of its international reputation. In the Hon. Mitchell Sharp's words, instead of



leaning against the continental pull, this agreement "says that we should welcome it and make it more powerful". He remarked: "My instincts all rise to warn me that this is a very slippery slope". Roy Romanow, Leader of the Opposition in Saskatchewan saw the abandonment of Canada's longstanding multilateral policy as an admission of weakness:

By entering into a preferential trade arrangement with the United States, we would be abandoning multilateralism to become part of a North American trading block. This trading philosophy says Canada's only hope is to tie our wagon to the American economy.

James Hyndman of the Council of Canadians suggested that a "loss of decision-making capacity" resulting from the Agreement would greatly diminish Canada's standing as an independent and influential middle-power. These and other critics of the Agreement argued that, instead Canada should and could strengthen its support for GATT and multilateral liberalization while at the same time addressing Canada-U.S. trade issues on a case by case or sector by sector basis.

A common theme struck by opponents and supporters of the Agreement was that it represented far more than a trade agreement. The Honourable Roy Romanow declared that the debate is "about the kind of Canada we all want to see for ourselves and our children":

Freedom to choose the kind of society we want to build. That was the genesis of Canada. The dream endures. Made in Canada solutions, like medicare, like our co-operative movement, like our commitment to regional development make us different.

. . . And I say with every ounce of feeling I can muster, that I oppose any attempt to make Canada the 51st state; to give away our ability and freedom to be different; to make our own decisions.

The Honourable Peter Lougheed also saw the Free Trade Agreement as posing fundamental choices for Canadians, but he believed the outcome would favour the Agreement:

What does it come down to? It really comes down to the question of what we think about ourselves. I think the average citizen, when he has to make a final view on this, whether it is May, June, July of next year, is going to come down to that particular point: do I have confidence in myself, my neighbours, and my country to compete with Takoma, with Atlanta, with Des Moines, with Houston? Do I have confidence?

I will tell you where the young people are going to come from. They are going to come overwhelmingly yes. That is where the debate will come down to, and I am glad I am on the side of confidence because what this country can do and the entrepreneurs can do is compete.



## COMMON GROUND

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The record of hearings in Ottawa and across Canada during November and early December has demonstrated that Canadians hold a wide range of opinions on the Free Trade Agreement with the United States. By expressing both confidence and concern, witnesses conveyed the variety of ways in which the Canadian people are reacting to the Agreement. Members of the Committee found these interventions useful in developing their own views. But the differences which divided the Committee, reflecting positions already taken by the three political parties in the House of Commons before the hearings began, were only confirmed in the process. Essentially the governing party, representing the majority in the House, strongly supports the Agreement as being on balance good for Canada, whereas the two opposition parties strongly oppose it.

Nevertheless on a few issues there was agreement between all Members of the Committee. Without wanting in any way to suggest this implies any diminution of the fundamental disagreement on the Agreement itself, the Committee considered that it would be helpful to the House of Commons and the Canadian people to describe briefly the points of agreement.

1. The Committee is very concerned that passage of the Omnibus Trade bill or the Textile bill by the U.S. Congress prior to the date on which the proposed Agreement would come into force, would impair benefits to Canada under the Free Trade Agreement. If this happens the Committee recommends that the Canadian government should withdraw its consent to the Agreement—unless Canada is formally exempted from the application of this U.S. legislation. In the Committee's view passage of either bill without the exemption of Canada would be contrary to the standstill provision of the Agreement.
2. There are reports that efforts may be made on the U.S. side to amend the 'fast track' procedure. Should changes to the procedure result in the Agreement being changed by Congress in ways which impair benefits to Canada, the Committee recommends that Canada should withdraw its consent to the Agreement.



3. Should an Agreement between Canada and the United States be enacted, the Committee recommends that a comprehensive program of adjustment assistance must be in place to provide support for the workers and companies that will be adversely affected by the process. The adjustment assistance program must be flexible enough to permit specific action to address specific problems. The lack of assurances that such a program will be in place was a matter of serious concern to many witnesses who appeared before the Committee.
4. The Committee considers it important that the Agreement should be consistent with the obligations of the two countries under GATT. The two governments should make it clear that they remain committed to the multilateral trade system; that in the multilateral negotiations now underway they will seek to strengthen and improve the GATT rules and procedures; and that preferences exchanged under the Free Trade Agreement should act as a catalyst for increased multilateral efforts to liberalize world trade and to improve the GATT trade rules.
5. The lack of a final text of the Agreement was a constant source of difficulty for witnesses and Committee members alike. As noted earlier in this report, many witnesses—especially those representing affected organizations—tended to describe their expectations and worries, rather than take a firm position for or against the Agreement. Members of all parties found this frustrating at times. The final legal text was made public after the Committee had completed all of its hearings and the preparation of this report. For this reason, the Committee intends to examine whether the final text differs in any significant way from the Elements of the Agreement and, should the Committee judge that it does, it will undertake further work. Accordingly this report should not be regarded as the Committee's final observations on the Agreement.

Beyond these few points, the views of the Members of the Committee diverge with regard to the merits of the Agreement that has been negotiated and even as to whether free trade with the United States is a desirable goal. Nonetheless, the Committee considers that it would be helpful to Parliament and to the Canadian people to present a majority statement prepared by government members, as well as minority statements of the opposition members. The majority view of the Agreement comes first, followed by the two minority statements.



## THE MAJORITY VIEW

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### *Benefits and Costs*

We are persuaded that the Free Trade Agreement is a good deal for Canada. We are satisfied that it brings, firstly, improved and more secure access to the U.S. market. Secondly, we have concluded that the Agreement also brings increased protection against unilateral trade law actions of the United States to limit Canadian exports. Thirdly, we are convinced that it protects and increases employment in Canada. We have also noted that in every instance the smaller partners in other free trade arrangements—Israel vis-à-vis the United States, New Zealand vis-à-vis Australia and the EFTA countries vis-à-vis the Common Market—have increased their trade with the larger partner. We believe that this Agreement should similarly benefit Canada.

### *I. Improved And Secured Access to the U.S. Market*

The Free Trade Agreement includes a number of measures that offer improved access by Canadian producers and manufacturers to the U.S. market. Taken together they represent a significant opportunity for Canadian exporters.

- (1) *Removal of Tariffs:* the two countries have agreed to remove tariffs against each others' goods over a ten-year period or earlier. Although a high proportion of Canadian goods now enter the United States duty free, the remaining tariffs include a number that are high enough to constrain the sales of or even keep out many Canadian products. Moreover, the United States has a tariff structure that discourages the further processing in Canada of raw materials produced here. For example, the Canadian Petrochemical Industry expects to find a substantial market for its producers in the United States as a consequence of the removal of U.S. tariffs of up to 23 per cent (in the case of benzenoid chemicals) and the deregulation of natural gas. A quick survey of the U.S. custom tariff schedule suggests that new prospects could develop for a number of products.



- denim fabrics 17 per cent
- canned salmon in oil 12.5 per cent
- rail cars 18 per cent
- leather hand bags 20 per cent
- woven fabrics of wool and synthetic fibres 38 per cent  
48.5 cents per kg.
- certain ski suits 29.5 per cent
- babies garments of synthetic fibres 17 to 30.4 per cent
- foundation garments 25 per cent

(2) *Phasing Out of Customs User Fees*

- (3) *Temporary Entry for Business Purposes:* Exporters, particularly in the small business sector, explained that the provisions of the Agreement will allow service representatives temporary entry to install and service equipment will significantly aid their efforts to sell and service equipment in the United States.
- (4) *Government Procurement:* The Agreement opens up new opportunities for Canadian suppliers to bid on U.S. government procurement. These potential opportunities cover sales with an annual value of up to \$4 billion Canadian.
- (5) *Harmonization of Standards:* The Agreement establishes the goal of prohibiting the use of standards as barriers to trade. This will assist Canadian exporters, especially those in the agriculture sector. We recommend that when a choice must be made between standards, the Canadian Government seek the higher standard.
- (6) *Increased Protection Against Harassment:* Another major benefit of the Agreement is that it will provide Canadian producers and exporters with greater protection than they now have from harassment resulting from increasing resort by U.S. business to so called 'trade remedy' laws, new protective measures, and the threat of such measures. Recent efforts of Canadian exporters to fight these actions have been extremely costly, they have involved delays running 2-4 years, and sometimes required the payment of substantial provisional duties. They have inevitably generated uncertainty about future sales and this uncertainty has impeded investment decisions as illustrated by Mr. Dodds from the Canadian Meat Council:

When the initial decision was made, and in fact the countervail was put on both hogs and pork, it was viewed very seriously by the industry from



an investment standpoint. If that market was not available to us and we could not be competitive with it, this industry was in real trouble. (52:15)

Both the U.S.A. and Canada were reluctant to immediately relinquish their powers to impose anti-dumping and countervailing duties.

In the longer term, the best outcome would be a mutually agreed common set of rules and administrative procedures, and the Agreement calls for efforts to achieve this during the next seven years. We recommend that the Government of Canada work towards agreement on such mutually defined rules and procedures as soon as possible.

In the meantime, there are a number of procedures provided for in the Agreement which will significantly minimize the harmful harassment of Canadian exporters. In fact, there are four dispute resolution mechanisms (DRM) which are important.

1. Judicial review of future anti-dumping or countervail duty cases will go to a five-member binational panel. Replacement of a single judge by an impartial, binational panel should lead to more predictable decision making thus reducing uncertainty in investment and trade. Another significant benefit of this mechanism is the speed within which the entire process must be completed. A countervail case can now drag on for years through the U.S. courts, whereas a binational panel will be required to render a binding decision on an anti-dumping or countervail case within one year of the appeal process being launched. This will substantially reduce the costly period of uncertainty for the complainant.

2. The second DRM governs future changes in U.S. and Canadian domestic laws relating to anti-dumping and countervail. Such changes in U.S. domestic laws would not affect Canada unless Canada is explicitly named in the legislation. Furthermore, Canada has gained notification and consultation rights. The result will be major protection for Canada against being 'side swiped' when changes in laws regarding countervail and anti-dumping are directed at distant countries. We concur with the findings of several legal opinions, including that of Fasken and Calvin, who judged the dispute settlement mechanism to be a major improvement, not only from the existing arrangement between Canada and the United States, but from the treaty undertakings between any other two countries in the world.

3. The third DRM concerns safeguards. Canada will be sheltered from U.S. safeguard actions aimed primarily at third party countries when Canada is not a substantial cause of the injury. Canada will thus again be less exposed to side swiping.



4. The fourth DRM is concerned with managing the Agreement itself. It deals explicitly with the creation of the Canadian-U.S. Trade Commission.

In summary, we believe the dispute resolution mechanisms will provide the opportunity to develop laws consistent with the object and purpose of the Agreement as opposed to laws of general application which address problems caused by distant countries. We regard the proposed dispute settlement mechanisms as a major improvement over the status quo, which includes the GATT. Until such time as common rules governing the use of trade remedy measures can be strengthened, the Agreement will provide improved protection against harassment while retaining intact the sovereignty of both countries and their capacity to protect their respective economies from unfair trading practices.

## II. *Increased Employment and Economic Growth:*

By far the majority of business people who appeared before the Committee indicated that employment would be secured and enhanced by the Free Trade Agreement. Many were concerned with the retention of jobs that would result from the new dispute resolution mechanisms. Others believed that the reduction in tariffs and increased access to the American market would increase employment in their industry. Many looked forward to increased investment in Canada and to competition with the United States on a level playing field. There were, of course, some witnesses who predicted job losses but few of those witnesses came from the group in this country which produces the jobs.

- (1) *Investment and Growth:* Based on the evidence we have heard we see advantages in a freer investment climate that will increase job opportunities and investment in Canada which go hand in hand. We concur with Mr. Lambert of the Small Explorers and Producers Association of Canada, who stated:

We feel that there should be no restriction on investment in the oil and gas segment in Canada. We feel that it would certainly enhance the ability of the smaller companies to raise additional capital if there were not restrictions on the market.

Canadian firms are well placed geographically to expand their sales, particularly into the large adjacent markets in the northeast, mid-west and northwest regions of the United States. With a larger market, greater rationalization of production can be expected. We believe that such growth, in turn, will generate larger expenditures on research and development by Canadian firms by providing them with a larger base for



spreading costs and risks. With increased growth, of course, greater employment opportunities will appear. In general, we expect Canada will become a more attractive place for investment by Canadians, by Americans, and by investors in other countries of Europe and the Pacific Rim.

- (2) *Energy*: The securing of the U.S. market for energy resources found favour with the majority of energy producers in Canada. Increased employment will come from the production of those energy resources and the investment in new resources that will be possible as the result of a secure market and good long-term prospects. We will not have employment if we do not have the long-term investment in the energy sector to develop the oil sands, the shale deposits and frontier resources.

Also, we know from past experience that increased activity in the energy sector produces jobs throughout the country, particularly in Ontario and Quebec. It is for these reasons that we do not share the view that the energy section of the Agreement is not in the national interest.

Although Canada has agreed to pro-rate any shortfall in energy in emergency situations, it is necessary to assert in the strongest terms that the sharing provisions of the Agreement do not require, as has been alleged, that Canada produce oil and gas on American demand. Canada retains the right to decide what energy supplies to sell to the United States; the only commitment is not to discriminate between Canadian and American customers in the event of a shortage caused by an emergency. This is essentially an extension of obligations undertaken in 1975 under the International Energy Agency.

We welcome the fact that energy prices will be set by non-discriminatory free market forces, and not through government intervention.

- (3) *Automotive*: In terms of automotive trade, it is our conviction that the Auto Pact will continue to protect Canadian jobs for those employed with the Big Three and the parts producers. Enhanced employment will result from the provision in the Agreement that requires off-shore manufacturers (other than the Big Three) to now meet a 50 percent North American direct cost of manufacturing requirement if they wish to ship duty-free vehicles from Canada to the U.S.A. or vice versa. This additional content requirement will unquestionably produce jobs for Canadians in the auto parts manufacturing and assembly sectors.

Although the tariffs have been removed as a means of enforcing the Auto Pact, the Auto Pact safeguards still remain. We agree with the Automotive



Vehicles Manufacturers Association that the \$300 million yearly of duty remission for imports of automobiles and parts from third countries constitutes a major incentive for them to continue to meet Auto Pact requirements. Furthermore, we are convinced that the investment decisions of the Big Three, which are currently substantially in excess of their obligations, reflect the fact that with unimpeded entry into the U.S. market for automobiles, Canada has been and will continue to be an excellent location for auto manufacturers in North America.

- (4) *Services*: The service industry area is the fastest growing sector of the Canadian economy. We expect that to continue as trade in services increases as a result of this Agreement. This is the first time that services have been part of an international trade agreement and it is significant not only for increased employment in Canada, but because this is likely to be the forerunner of an agreement in GATT on services which the Europeans, among others, wish to have negotiated.

It is not generally understood that there is now significant trade in services between the two countries. This was brought home forcefully to us by the Life and Health Insurance Association who do a considerable proportion of their business in the United States. Although some witnesses predicted job losses in this sector, particularly for women, there is little evidence to support this contention. We believe these fears are unfounded and share the judgment of Katie Macmillan and the report she prepared for the Canadian Advisory Council on the Status of Women:

service sector jobs are basically not going to suffer as a result of free trade. I think the job losses we would experience in those sectors would be marginal and greatly outweighed by the huge job creation that would exist in the service industry.

- (5) *Agriculture*: Strong supporters of the Agreement included the cattle producers, the pork producers, the canola, flax and barley growers and many wheat producers throughout Canada. Contrary to the fears of some, the Agreement will protect Canada's supply management systems for dairy products, eggs, chickens and turkeys. Some agricultural representatives were, however, hesitant to take firm positions until they saw the final text of the Agreement. We understand their position.

Some parts of the farming sector may need assistance. The horticultural sector faces problems owing to the limited growing season in Canada. A snapback tariff provision is to be in place for twenty years. To make it effective, we recommend that arrangements be put in place for speedy re-application of the allowed MFN rates to protect farmers if seasonal imports harm them. Grape growers face problems, some of which are not



solely attributable to the Agreement. If the recent GATT panel decision is implemented, the Canadian wine industry could face greater competition from European Community producers as well as from American wines. We recommend that federal and provincial governments must co-operate to alleviate the adjustment process.

The continuation of agricultural supply management systems is highly desirable. With the Free Trade Agreement in effect, these systems could create problems for Canadian food processors who will face competition from U.S. processors with access to cheaper inputs. With respect to wheat and flour, the two price wheat system now in effect was originally established to protect Canadian consumers from high international prices. With current low world prices it has become a form of indirect subsidy from consumers to producers. We see no reason why the two-price system should not be terminated and, if necessary, the difference paid directly to farmers in the form of income support. As for other ingredients used in food processing that may be higher priced in Canada as a result of supply management, we suggest that the government should direct the marketing boards to institute a two-tier pricing system that would ensure processors can obtain their inputs at competitive North American prices, while any shortfall in return to farmers would be offset by income support. This would be a step toward the introduction of farm income support programs based on "producer subsidy equivalents" which Canada has supported in the past.

Specific concerns have been expressed about increased imports of ice cream and yoghurt. We recommend that the government move expeditiously to include ice cream and yoghurt on the import control list, and thereby effectively deal with these concerns.

### *A Stronger Canada*

The proposed Free Trade Agreement is an economic arrangement and should be judged primarily by whether or not it makes Canada stronger economically. On balance, the evidence we have heard indicates that the Canadian economy will be stronger. But the debate does not end there. Some witnesses, even those who concede its economic benefits, expressed fears about the impact of such an agreement on Canadian culture, social programs and sovereignty.

If we shared those fears we too would be opposed to the Free Trade Agreement but we believe that it is more likely to strengthen than to weaken Canada. We base this belief not on some theoretical argument, but on the evidence of Canada's post-war history.



Over the past fifty years Canada-U.S. trade and other economic relations have grown exponentially; the United States bought 30 per cent of Canadian exports fifty years ago, today it buys about 80 per cent. Has this accelerating economic relationship been accompanied by a weakening of Canada? Has our special national identity eroded? Have we abandoned our social and economic programs? Has our voice in the council of nations been muted? The answer to all of those questions is an emphatic no. For example, Quebec's former International Trade Minister, Bernard Landry stated:

Ultimately, as a nationalist, I want my nation to be strong, and I think my nation will be strong if the boundaries are open and all the economic leverages are playing in favour of reinforcement of that nation. On that solid economic basis you build identity.

Furthermore, during that same period of history we have seen the establishment of a vibrant Canadian culture. Margaret Atwood, herself rather dubious about the Free Trade Agreement, summarized the position of Canadian writers, past and present:

I go back to the year 1960, in which only five novels by anglophone Canadians were published by Canadian publishers. You were doing well if you sold 200 copies of a book of poetry and 1,000 copies of a novel and Canadian artists were either unknown or considered third-rate in their own countries. The climate has changed dramatically. Cultural industries, we are told, are now one of the largest employment sectors in the country, and Canadian writers not only outsell their English and U.S. counterparts per capita in their own countries but are doing very well internationally too.

During that same period of time Canadian governments brought in medical insurance, regional development programs and a national pension plan, to name just a few of the programs intended to guarantee a measure of economic security, equity and personal well-being to all Canadians. In the area of foreign policy, since World War II, Canada has established its position as an influential and widely respected middle power. While none of these accomplishments was the result of expanded trade with the United States it is obvious that they were not made impossible by that trade. We therefore are convinced that more trade will not, by itself, push Canada over the edge.

Our own view is that the greater wealth made possible, in part, by Canada-U.S. trade has served as one precondition for the strengthening of Canada's identity: the other preconditions are the values of Canadians and their determination as a people to give concrete expressions to their values in all aspects of public policy. Since the Free Trade Agreement will likely contribute to Canada's economic well-being, the question is whether there is anything in this Agreement which will weaken our national will or destroy the means to maintain and give expression to Canadian values. To answer that question requires a closer look at the Elements of the Agreement as they



relate to culture, social and economic policy, and Canada's international standing.

## **CULTURE**

Canadian culture has always been influenced by popular U.S. culture. This was so long before the Free Trade Agreement and it will be so in the future, whether or not there is an Agreement. Under the pushing and prodding of artists and cultural organizations, successive Canadian governments have taken various measures to safeguard and promote Canadian culture. In our view, this process can and should continue. However, some fear that the Free Trade Agreement weakens or compromises the Canadian position. An analysis of the Agreement illustrates that these fears are unfounded.

The section of the Elements of the Agreement dealing with cultural industries reads as follows:

1. Cultural industries . . . are exempt from the provisions of this Agreement.
2. Notwithstanding any other provision of this Agreement, a Party may take measures of equivalent commercial effect in response to actions that would have been inconsistent with this Agreement but for paragraph 1.

Clause 1 means that the broadly defined Canadian "cultural industries" are not subject to the provisions of the Agreement and that Canada remains free to support them in ways which would otherwise be inconsistent with the Agreement. What Clause 2 says, however, is that the United States is not obliged to like what Canada does and, if it is judged that Canadian policy is commercially detrimental to its citizens, the U.S. may retaliate within limits. As a practical matter it means that if Canada chooses to provide financial assistance to promote Canadian culture, there would be no U.S. reaction. If, however, Canada restricts U.S. access to the Canadian market for such commercial goods as films, books and records, in ways that would be inconsistent with the Free Trade Agreement, the United States retains its right to take compensatory action. In essence the Agreement simply preserves the status quo: Canada can defend and promote its culture and the United States may object to the trade distorting impact of such activities from time to time.

Despite all the fears to the contrary it is perfectly clear that the Free Trade Agreement has no effect on Canada's support for such important elements of its culture as:



- the C.B.C.
- Canada Council grants
- the National Film Board
- film subsidies through taxes
- grants to festivals (e.g. Stratford, Shaw)
- grants to art galleries and museums
- grants to ballet and theatre companies
- Canadian content regulations on T.V. and radio
- and so on.

### *Social and Economic Policy*

Apart from the fears of U.S. cultural invasion of Canada, some witnesses expressed the worry that the Free Trade Agreement will set in motion a host of pressures to "harmonize" Canadian and American policies. Given the disparity in size between the two countries, concern was expressed about possible Americanization of Canadian public policy in such fields as health care, employment benefits and government regulation. These are concerns that we would not dismiss lightly but again, we conclude that the Agreement itself provides no grounds for such fears.

From the beginning of the negotiations the Canadian government has made clear that federal social programs and regional development initiatives are not part of the Agreement. For example, Canada will still be free to take any measures it wishes in such areas as public health and morals (including control of the importation of pornography), regulation of financial institutions, safety and consumer protection. Furthermore, since this is a trade agreement between the federal governments of Canada and the U.S., provincial programs such as child care, procurement and public automobile insurance are not affected. In short, what the Agreement does is require the same treatment of Canadian and U.S. business enterprises under Canadian law: it does not require harmonization of Canadian and U.S. laws. "National treatment" must be extended to Canadians on the U.S. side of the border as well, a point that has sparked debate there too.

Even when acquainted with these facts about the Agreement, some witnesses before the Committee still expressed the fear that in the years ahead, and in particular in the future discussions about the definition of subsidies, there will be repeated and escalating U.S. assaults on Canadian policies and programs. Alternatively, they expressed fears that Canadian business, faced with heightened competition from the United States, will force the Canadian government to dismantle or weaken social programs. It is worth noting that these arguments are mutually exclusive: on the one hand it is suggested that



Canadian social programs will be seen by the U.S. as an unfair competitive advantage, that is a subsidy; on the other hand that those same programs will be seen by Canadian business as a competitive burden.

As for the fear that Canadian social services put Canada at a competitive disadvantage with the United States, the facts simply do not bear this out. In the first place there are parts of the United States that have social programs comparable to Canada's and, secondly, we find that the Canadian system is overall both more humane and, arguably, more efficient. For example, the fraction of the GNP devoted to health care in the United States is actually slightly higher than the Canadian share, although U.S. coverage is incomplete. Bernard Landry, a former Quebec cabinet minister, drew a conclusion from these facts which we share:

The American system is not nearly as good as ours and it is a lot more expensive. So why should we change ours to adapt to theirs? .... if anyone is to make adjustments it would be the Americans.

Some witnesses, particularly in the Atlantic provinces, expressed concern that the Free Trade Agreement would impact negatively on regional development programs. Nothing in the Agreement limits Canada's ability to extend financial assistance for such purposes. One method of providing assistance—duty waivers linked to performance—will be terminated by the Agreement; but other forms of assistance, such as grants, preferential loans or loan guarantees and tax concessions can still be provided. Financial assistance, if it resulted in exports which caused injury to Canadian or U.S. producers, would still be subject to countervail as it is now in both Canada and the U.S. However, the methods employed by the U.S. Department of Commerce to evaluate regional development subsidies have resulted in low values being attached to them. Since 1980, no regional development subsidy examined by the United States or Canada has been found to exceed one per cent ad valorem. Moreover, of the hundreds of regional development grants made each year very few are challenged. We repeat, the Free Trade Agreement has created no constraints on our right to subsidize regional development nor, it should be said, on the U.S. right to challenge such subsidies if they result in exports that can be shown to cause injury to U.S. industry.

### *Canada's International Standing*

Finally we come to the concern expressed by some witnesses that, in concluding a comprehensive Free Trade Agreement, Canada has aligned itself internationally with the United States and reduced itself in the eyes of the world to the status of junior partner in North America. In this view, the Agreement represents the abandonment of Canada's hard-earned position as



an influential and independent middle power. We do not believe that the evidence we have heard supports this conclusion.

Right off, we would point out that there is a connection between economic strength and international position. Canada was invited to sit as a member of the Economic Summit of the seven major industrialized countries because of its GNP, not because of its moral fibre or geography. The Canadian aid program, a major asset in Canada's international relations, is made possible by economic growth as much as by national generosity. These examples serve to illustrate that to the extent the Agreement strengthens Canada's economy, it will help secure one of the prerequisites of international influence.

A sound economy is, of course, not the only requirement for international standing. What is also required are far-sighted policies applied effectively, consistently and independently. Based on the evidence we heard, the test of Canadian independence will be the same in the future as it is today: Canada's determination to put forth its own position on issues like Central America, South Africa and East-West Relations. Nothing in the Agreement will make it any more difficult to do that.

To summarize our conclusions, there is nothing in the Free Trade Agreement that compromises or weakens Canada's independence or identity. On the contrary, to the extent that it strengthens Canada's economy, it will contribute to the strengthening of the country as well.

### *Conclusion*

Based on the evidence we have heard, we conclude that the economic benefits of the Agreement substantially outweigh the costs. We appreciate that the changes resulting from the Agreement involve risks and uncertainties. However, factors such as technological development and increased international competition are forcing changes and adjustments in Canada's economy in any case. In a dynamic world, the Free Trade Agreement will help Canada to meet the challenges of the future.

The intense national debate on the Free Trade Agreement evokes memories of the strong opposition in Parliament and in the Canadian labour movement to the Canadian Government's decision to proceed with the Canada-U.S. Automotive Agreement in 1965. George Burt, then the Canadian director of the United Automobile Workers, expressed his objections in categorical terms:



It is with regret and full determination that the U.A.W. announced it will do its utmost to influence Canadian public opinion against the Canadian-U.S. auto free trade plan.

The leadership of the labour movement was then as vociferous and unqualified in its opposition to the Auto Pact as it is now opposed to the Free Trade Agreement. However, the attitude of Canadian labour to the Auto Pact itself has changed dramatically over the years, as the benefits of that agreement have become apparent. We see this conversion as grounds for hope that in another twenty years the Canadian Labour Congress will have become equally strong defenders of the Free Trade Agreement.

We are confident that the Agreement will generate increased employment overall, but there is bound to be dislocation for some firms and workers as tariff protection is reduced and removed. In acknowledging this point, however, it should be borne in mind that the modern Canadian economy is already extremely dynamic. In an average year, four million Canadians change jobs, retire or enter the work force. Technological change is more likely than the Free Trade Agreement to make jobs redundant and to create new job opportunities. Nevertheless, as we have said, some workers and companies could face problems of adjustment as a result of the Agreement. For this reason we have recommended earlier in this report that an effective adjustment assistance program be put in place.

Concerns have been raised that the Agreement may be seen at home and abroad as Canada's abandonment of the GATT and multilateralism. We have indicated earlier that there is nothing in the Agreement which is at odds with GATT. To counter concerns, however, it is imperative that the spirit and letter of multilateralism should influence implementation of the Agreement at every step of the way. It would be damaging for Canada's international reputation if the Free Trade Agreement were to become known as the Fortress North America agreement and there is no reason why this should happen. Indeed, we see the pursuit of free trade with the United States and of multilateral trade liberalization through the GATT Uruguay Round as two parallel, complimentary and even mutually-reinforcing policy thrusts to be promoted with equal vigour. With the successful conclusion of a Free Trade Agreement, the government is now able to concentrate its energies on the slow-moving GATT negotiations where, being one among many, Canada's influence is diluted.

Naturally this report has focussed on free trade with the United States. But that does not mean that we think Canada should turn its back on trade with the rest of the world. Quite the contrary. Now that arrangements are being made to improve the access of Canadian exports to U.S. markets, it is important to pay attention to the remaining 20 per cent of Canada's exports.



We would like to see greater efforts by our traders to expand trade with markets throughout the world.

Some critics have adopted the position that they favour free trade with the United States, but that this Free Trade Agreement is not good enough for them. Of course, we would have liked more; we have acknowledged that the agreement involves losses as well as gains. But we have also noted that a number of American politicians are claiming that Canada got much the better of the deal. We take this as evidence that the Agreement is in fact balanced. We are also mindful that, as the smaller partner, Canada stands to gain more. Even a modest improvement in the terms of access to the huge U.S. market can be very significant for Canada.

A word needs also to be said about timing. We wish to note that the timetable established by the U.S. 'fast track' procedure was a matter of concern to some witnesses. The authority delegated by the U.S. Congress in 1974 to the President to negotiate trade agreements expires in January 1988. If Canada does not grasp the opportunity, which the fast track procedure offers, we fear it could be lost for an indefinite period. Given Canada's unfortunate experience with the ill-fated Gulf of Maine treaty, we believe that too much is at stake to forego the opportunity presented by this fast track procedure which does not allow Congress to reopen the negotiations. This is what happened in the Gulf of Maine treaty.

While the Prime Minister and the President must sign the Agreement by January 3, 1988 if it is to be eligible for the major advantage of the U.S. 'fast track' procedure, enabling legislation will have to be prepared and considered in Congress and in Parliament. That debate will continue at least until mid-summer 1988. Beyond that there will be six more months before the two governments formally commit themselves to the Free Trade Agreement. So the hearings that we have undertaken during the last six weeks are only the first stage of a process that will continue for another full year. This will give the legislators and the citizens of both countries time to reflect on the merits of the Agreement. We hope that our hearings and this report with its record of views expressed to us by Canadians and of the responses of Members of the Committee will contribute to the public debate on this key issue.

We have tried during this first phase conscientiously to examine the Free Trade Agreement from all perspectives. We have listened carefully to its critics. We are convinced that, on balance, it is a good agreement for Canada. It will stimulate technological change, provide the opportunity for Canadians to become more productive and it will create new and better jobs. In the long run, it will help Canada to meet the challenges of a fiercely competitive world. We are convinced that it poses no threat to Canada's culture, social



programs and independence. On the contrary, it will help to build a stronger Canada.

In conclusion, we say this: Canada's past was built on struggle and determination. We appreciate that the Agreement will mean some changes for Canada, but this country was built by Canadians meeting challenges. Together, let us face this challenge of the future.



# ADDENDUM A—LIBERAL PARTY POSITION

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## *PROCESS*

Like the negotiations themselves, the Committee hearings were conducted in a rushed way with the minimum of information or public input.

Three major problems turned the Committee's proceedings into a mockery of the democratic process. First, neither the Members of the Committee nor the witnesses had the final text so that discussion was based on an agreement in principle which has since been renegotiated. A second major problem was the limited time allotted to study the agreement—only one day of hearings in each province and the Yukon was completely excluded. Many individuals and organizations in the Yukon simply were unable to make their views known. The third problem was that the general public was not heard. Repeatedly, the opposition parties asked that time be allowed to hear from average Canadians. Government members repeatedly refused.

Thus, it is clear that the process was deeply flawed and therefore this committee report is an imperfect record of Canadian concerns. Nevertheless, certain assessments and conclusions can be drawn from the four week committee odyssey.

## *NOT JUST A TRADE DEAL*

What became clear during this process of consultation was that the agreement reached by U.S. and Canadian negotiators went well beyond an agreement on trade in goods and services. For the first time, the free flow of investment capital and unfettered movement of service personnel and elements of our distinct political culture from regional programs to film distribution policy have been negotiated away. As professor Bruce Wilkinson put it:

“This agreement goes beyond the simple Free Trade Agreement we were supposed to be negotiating... the degree of economic integration will even go beyond what exists in a number of areas in the E.E.C.”

The additional rights granted to the Americans over Canada's energy supplies is yet another example of how this agreement exceeds a simple trade deal.



It is in fact, as President Reagan himself so succinctly described it, "an economic constitution for North America".

The economic pull to integrate Canada into a "Fortress North America" has been present since our inception. Up until now we have fought bravely to resist such integration. Former Cabinet Minister, Mitchell Sharp, says we are about to lose that battle:

"By entering into this bilateral preferential agreement, we would be deciding no longer to resist the continental pull. On the contrary, we would be accelerating the process of the Americanization of Canada".

It has been said that this deal will further Canada's international trading goals. Several investment banks and corporations in Europe and the Pacific Rim have said there will be little reason to locate in Canada rather than the U.S. after this deal goes through. Moreover, as Mr. Sharp pointed out, this is a preferential agreement which discriminates in terms of treatment against all other countries. We will have formed a continental discriminatory trade bloc and thus succumbed to regionalism which Arthur Dunkel, Director-General of the General Agreement on Tariffs and Trade has called the single greatest threat to the international trading system.

#### **WHERE ARE THE JOBS?**

What is most striking about the testimony heard is the fact that not one witness, including officials of the Federal Government, could provide the analysis to support claims of increased jobs.

The burden of proof is on the Government and nothing has been proven. When questioned on this, Canadian Deputy Chief Trade Negotiator Gordon Ritchie admitted studies had not been done.

"At the moment we have a judgement but we do not have a stack of supporting studies".

Similarly, when pressed on the economic issues, various representatives of the business community relied on conjecture, hope, or faith—but could provide no proof.

While there is no proof jobs will be created, we certainly heard from many witnesses about job loss. Texturon Inc. in Montreal told of losses in the textile/garment industry; Grocery Products Manufacturers Association told the Committee of the inevitable loss of jobs in their sector of agriculture; Bill Loewen spoke of 350,000 jobs to be lost in the data processing sector; witnesses from the horticultural industries spoke of great losses in their sector; auto parts and wine producers also expect thousands of lost jobs. Finally,



while some debate arose regarding the impact on the services sector, Marjorie Cohen of the National Action Committee on the Status of Women provided a convincing argument that many jobs would be lost as a result of this proposal.

A third economic benefit cited particularly by witnesses representing the resource producer is a reduction in tariffs.

However the government negotiated tariffs on a reciprocal basis even though Canadian tariffs are twice as high. The argument to reduce tariffs is a legitimate one. It is, in fact, the reason why successive Canadian governments have supported the GATT. Since its inception in 1947, the GATT has reduced tariffs from an average level of 40% to the current average tariff of 5%. In Canada approximately 80% of our goods are exported to the U.S. free of tariff.

Canadians have a right to know that tariffs can be reduced in alternative ways, rather than through a costly comprehensive trade agreement. Specifically, GATT has already and will in the future lower tariff barriers. Moreover, seasonal tariffs can be retained, thus keeping our farmers in business.

In addition, the U.S. House trade bill included a provision which would mandate the President to negotiate a reciprocal reduction in tariffs with Canada over the next 5 years. This clause is significant for it demonstrates that in a highly protectionist Congress, there was the political will to do a deal with Canada on tariffs. It could be done without the costs entailed in the comprehensive deal negotiated by the government.

The economic benefits within Canada thus remain unproven.

### ***SECURITY OF ACCESS/THE DISPUTE SETTLEMENT MECHANISM***

The bottom line for the Prime Minister when he launched the Canada-U.S. negotiations was to gain secure access to the U.S. market. It is clear that this was not achieved. Ralph Loffmark, former Social Credit Minister in B.C. pointed out, tariffs are no longer the true barriers to the U.S. or any other major market.

"I know of no major country in the world today that looks to tariffs as a device for regulating trade and commerce; there are so many other ways... anti-dumping rules, counter-vail penalties, marketing schemes, public utility regulations, procurement policies, control specifications, subsidies, tax concessions ..."

The most important of these non tariff barriers are the U.S. trade remedy laws. We were promised an exemption by the Prime Minister. Instead we have



a set of binational panels which far from resolving disputes, will simply replace an already impartial judicial review to decide whether U.S. law has been applied correctly. At the same time we give up our right to go to GATT, to challenge the U.S. law, not just its application. Furthermore, only governments can initiate an appeal. Thus we have also denied Canadian citizens the right of judicial review guaranteed under the Constitution.

Security of access, as promised by this Government, becomes an almost ridiculous claim when one considers the provisions in the omnibus trade bill which congressional leaders have said will pass soon. All of the provisions of this extraordinarily protectionist bill, including the expanded definitions of subsidy, dumping and unfair trade practices, will be entrenched by the agreement and sanctioned by the panels.

It is the height of folly for this government to commit itself to signing an agreement on January 2nd when it does not even know the final contents of this bill.

### **HARMONIZATION**

Perhaps one of the most profound implications of the free trade agreement in the long term is harmonization towards a truly "level playing field." Proponents of the trade agreement point out that all social and cultural programs have been exempted under the legalese of the agreement. Others, who take a longer and more broadly defined view of this agreement's impact see the pressures which will inevitably result:

Is it not possible that in the future when the competition is more intense because of bilateral free trade, Canadian firms and U.S. subsidiaries in Canada may argue that they cannot afford to play by Canadian rules and that our rules should be harmonized with those in the United States.  
(Bruce Wilkinson)

Any program which adds any cost and thus makes a firm less competitive could be threatened in a similar way. This could include environmental standards, affirmative action programs, progressive tax policies and a whole range of social policies.

This concern over harmonization becomes even more pointed when evidence on the Mexican (Maquilidora) industries is factored in. The general trend in the United States to move industrial capacity from the more expensive northern States to the southern U.S.-Mexican border region is expanding at an alarming rate, as documented by Mr. John Ralston Saul in his presentation. Canadian industry will now be forced to compete with these low standards. The pressure to harmonize will be enormous:



Despite refusing to negotiate social policies our own government has now guaranteed that those of Mexico and Tennessee will become the norm.

The direction this free trade agreement takes us as a country is disturbing, and concern has been expressed across the country in this regard.

## **REGIONAL ISSUES**

One myth, deliberately encouraged by the federal government, is that opinion for or against free trade can be determined by region. Our hearings across the country proved this is simply not true. Opinion was divided in every region we visited.

While the reduction of tariffs is generally seen as positive, profound concerns remain for many Western, Eastern and Northern Canadians regarding the future possibility of economic diversification.

The pressure for harmonization, the increasing American demand for more raw and less refined products, the threat to regional development programs and the prohibition on differential energy pricing which could attract different kinds of investment, are of deep concern to many organizations in these regions.

The Atlantic Chambers of Commerce, in fact, could not endorse this deal until they were assured that regional development programs were left untouched. Mr. Alwarid, from the Yukon government, put the case very clearly for his own territory:

If regional development efforts are jeopardized and Canada ends up with regions such as the Yukon becoming chronically dependent, what has been gained?

That is probably the single most important question of Members of Parliament to consider with regard to the regions and free trade.

## **KEY SECTORS**

During the course of testimony before the committee, four sectors seemed key to the discussion of free trade and our future as a country:

### **1. Energy**

It became apparent during testimony on the energy sector, particularly oil and gas, that support for the trade agreement was based more on tying Ottawa's hands than on securing access to the U.S. market. Former Alberta Premier Lougheed put it bluntly when he stated:



The biggest plus of this agreement is it would preclude a federal government from bringing in a National Energy Program.

The Canadian Petroleum Association and the Independent Petroleum Association of Canada concurred with this view. However, Mr. Joe Mercier, an independent oil producer, said that although this attitude prevailed amongst the energy community in Alberta, as an Albertan and a Canadian he was profoundly concerned about this attitude:

If our former Premier, Peter Lougheed, said that the reason the free trade agreement is good for Alberta is because we will never have another National Energy Program, it would really disturb me... If he means it, he has joined other people in saying that Confederation is not going to work. Instead of going into a battle with Ontario for Alberta's rights, are we going to try to allocate the authority to some administrator in Washington?

The proponents of the energy agreement say they believe in a free market. In fact the oil sector is dominated by cartels and multi-nationals who, as we have seen in the past, can manipulate this market. World price is thus set in this non-competitive setting. Our only recourse as an oil producing country is to retain pricing and supply authority. Through this deal we have been silenced and made inflexible.

While Canada has taken powers away from the National Energy Board, federal and provincial governments in the area of energy, the U.S. retains their powers in the form of the Federal Energy Regulatory Commission. The third group of producers, the Small Explorers and Producers Association of Canada (SEPAC) which appeared before the committee, could NOT endorse the government's proposed trade deal for exactly these reasons:

The energy arrangements are not balanced. Canada has made concessions...our oil and gas exports will still be limited or threatened by U.S. restrictions...SEPAC cannot endorse this agreement.

Ralph Loffmark pointed out that any profit from hydro electric energy in B.C. will shift from Canada to the U.S., as provinces will no longer be able to charge the price in the buyers market, where demand exceeds supply, but will be forced to sell at the lower price of the sellers market where there is currently an over supply.

### ***SERVICE SECTOR***

It is curious that services should have been negotiated at all given, as many witnesses pointed out, it had not been considered by the Macdonald Commission and no studies have been done to examine, in depth, the impact free trade in services would have. Considering that the service sector now



accounts for 70% of our jobs nationally, this surely can be considered a horrendous oversight by the government.

Fortunately others in the service industry have studied the effect. Bill Loewen, of the Canadian Independent Computer Services Association, estimated a loss of 360,000 information processing jobs. Majorie Cohen, who conducted a large study on the service sector and women for the National Action Committee on the Status of Women expressed similar concerns, concluding that the brunt of these lost jobs in the service sector will be borne by women.

The Liberal members of the committee believe that the service sector was another concession paid by the Conservative government to secure this deal.

### **AGRICULTURE**

Removal of tariffs on processed foods, while retaining supply management prices domestically, will wreak havoc in our food and agriculture industries. The Grocery Product Manufacturers Association made clear that in the future they will not be able to compete if we retain the supply management two price system on agricultural products. This trade deal has made the choice clear: it is either the food processing industry or supply management.

Another key issue is the precedent set by the Canadian government in allowing the elimination of the Western Grain Transportation Act thereby giving legitimacy to the argument that these types of programs are subsidies, as defined in American law. Future governments will thus be prevented from using programs such as these, with a long historical tradition in Canada, to overcome the geographical realities of our country.

### **CULTURE**

The last and perhaps most important sector is culture, for in its broadest sense, culture is in fact who we are.

Canadian artists who attempt to illuminate, in their chosen medium, this identity, are concerned about this agreement and how it may impede their access, not to the American market, but to our own. Organizations such as the Winnipeg Film Group, ACTRA and Video Atlantic are most concerned about the watered down film distribution bill, postal rates for magazines and publishing rights. Of greatest concern in the long term however is the "notwithstanding" clause which, according to Bruce Duggan of the Winnipeg Film Group can be read to mean:



We can continue to support culture and the U.S. is free to punish us for doing so.

In its broadest application this could lead to Canadian culture being defined in terms other than its own. As Jack McAndrew put it:

Our identity has to do with the soul of our country... Our response to the thrust of history, is to negotiate an agreement whose underlying implication is a re-definition of ourselves in American terms. To become less of what we are and could become. To trade our soul for a slice of bread. Mr. Chairman, I weep for my country.

### **CONCLUSION:**

In conclusion the Liberal members of the Committee reject the Canada-U.S. trade agreement and the majority report for the following reasons:

1. The process of review was undemocratic and unrepresentative. Without a final text, and over a period of only two weeks, being unable to hear from all interested Canadians on this crucial issue made the committee review a farce.
2. The Agreement itself is deeply flawed. While there is proof that many industries will be injured, the economic benefits are still unproven. We have not secured access to the American market and we are still subject to U.S. trade remedy laws.
3. In Canada this agreement marks a radical departure from our history as a country committed to internationalism and a strong public economy and moves us to one buffeted by the North American market forces.

There are in fact two solitudes in Canada, one which believes a continental market driven by the purest of market forces. The other embraces a Canada committed to a healthy public economy and governments which have the choice to make policy decisions in the largest of national interests. This Canada also believes that our trading frontiers are not limited to the North American land mass but can reach far beyond to the rest of the globe.

Liberals have had a long history of support for internationalism and sovereignty, defined as the final ability to govern our own country, to choose our own directions and to work toward fulfilling the national purpose. Should this agreement go through, we will be constraining forever our capacity to fulfill these historical roles and entrenching in perpetuity a vision of Canada unacceptable to half its people. Democracy demands more.







# ADDENDUM B—NEW DEMOCRATIC PARTY POSITION

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## I. INTRODUCTION: THE PROCESS

The position of New Democratic Party members with respect to the Committee's examination of the Canada-United States trade agreement is very clear. We oppose the process decided by the government and imposed upon the Majority, for consideration of this agreement. It violates the integrity of the parliamentary process and violates the spirit of parliamentary reform. We regret that the conservative members buckled under government pressure. It is, simply put, a sham. Nevertheless we decided to participate so that we could at every opportunity expose it for what it was and enable witnesses to do the same.

We oppose the process for six main reasons.

- 1) The Committee should not have been forced into making a hurried report on the government's trade deal, a deal which Simon Reisman called "the greatest in the history of the world", when it had not even seen the text of the agreement. Hearings from a limited number of invited witnesses on a sketchy outline of a government initiative which proposes to fundamentally alter the direction of our country and which at the same time is being renegotiated in ways unknown to the Committee, is an insult to due parliamentary process.
- 2) The Committee did not take any steps to see that Canadians or witnesses had access to the fullest possible information concerning probable effects and implications of the agreement. This was in keeping with the government's approach to keep Canadians in the dark.
- 3) The Committee did not inform Canadians about the timing and location of the hearings, it is unfortunate that the Committee decided not to pursue the suggestions to have the hearings broadcasted. This would have helped to inform Canadians on the issue.
- 4) The Committee did not provide an opportunity for all those who wished to make presentations. In each city, we were only able to invite a small fraction of the witnesses who wanted to appear. In each centre, the



Committee voted down our motions to allocate at least an extra hour of hearing time for brief statements. Frustrated individuals everywhere rose in anger to protest the undemocratic nature of the hearings. We called, where possible, coalitions of organizations, and even coalitions of coalitions, to get the broadest possible voice. But, this was unsatisfactory for the reason expressed by the Vancouver/Victoria Coalition Against Free Trade: the 43 organizations represented had only 20 seconds each to express their views. Each group should have had the opportunity to express their views separately and fully.

- 5) The Committee did not solicit written briefs and did not commit itself to considering unsolicited briefs.
- 6) The Committee showed unbelievable insensitivity in deciding not to travel to the Yukon in order to listen first hand to the specific concerns of its government and residents. We have held independent hearings in the Yukon. Even the Conservative representative who spoke with us there, expressed his unhappiness with the Committee's decision.

We drew our witnesses from across the societal spectrum: farmers, fishermen, labour unions, the cultural community, church leaders, women's groups, business groups, consumer organizations, native leaders, seniors, social action groups, intellectuals and elders of Canadian politics. Most witnesses, including a significant number of witnesses called by the government, criticized the general manner in which the Mulroney Government is ramming through its initiative or the process of the Committee investigation itself.

Here is a sample of what we heard on the process:

"Why are we doing this so fast? This committee does not have a text of the final agreement. As a writer, I would never sign a contract under those conditions. This is a major structural change, and nobody is being given a chance really to look at it". (Margaret Atwood)

"We are being rushed into this, a kind of shotgun wedding, in order to cope with Congress's so-called fast-track timetable. But this is still a sovereign nation, more or less. What about our timetable, our need to hear more?" (Mordecai Richler)

"What would people think of a union leadership that announced it had negotiated and then asked its members to express their views without knowing the details, and then said it intended to ratify the deal without a full vote of its members. We know that members of any of our unions would very properly want to throw their leaders out for that kind of undemocratic behaviour." (Canadian Labour Congress)

"The first thing we would like to express is our disappointment with the lack of information our group has been able to receive in a timely manner in order to properly research and evaluate the impact of free trade in the Northwest Territories. The government strategy seems to be relying more on selling the idea of free trade as opposed to educating the public about it". (Yellowknife Chamber of Commerce)



"This government has no mandate to negotiate free trade. Anyone who voted for Brian Mulroney actually voted against free trade, because he had declared himself, as had all the previous leaders of the Conservative Party since John A. Macdonald". (Saskatchewan Citizens Concerned About Free Trade)

"We want to make informed evaluations. We have a right to make a considered and reflective decision. There is simply no way that the Canadian people can do so prior to January 2nd. What, then, would our Prime Minister's signature signify?" (Dr. Anne Squire, Moderator United Church of Canada)

"Instead of providing a genuine opportunity to assess the deal, however, the majority of this Committee has transformed itself into a half-baked equivalent of a kangaroo court, moving from city to city to a hand-picked few, rushing with indecent haste towards its foregone conclusion." (Gerard Docquier—United Steelworkers)

"Our ignorance is due to the fact that so far the information we have been given by our government has been skimpy at best, at times contradictory, and often inconclusive. We have also been subjected to empty rhetorical pronouncements that hold out to empty promise of great wealth, not to mention the virtues of a holy war between regions of our country." (Laurier Lapierre)

"We also find it would be premature, therefore, for the Chamber to give an unequivocal 'yes' to the existing details of the agreement until we have reviewed the documents . . . The Atlantic Chamber would like to be assured that the new rules of the game are not full of unpleasant surprises in the big guy's favour." (Atlantic Canada Chamber of Commerce)

## II. *The DEAL*

We have opposed from the outset the comprehensive approach that the government took to these negotiations because it exposes as potential pawns, a broad range of Canadian activities not usually part of commercial trading arrangements. We oppose the specific deal as embodied in 'The Elements'. It is a bad deal for Canada. We believe that Canada has options to this surrender by our government. When the Tories talk about confidence, they mean that we should become as much like the Americans as we have to be in order to "compete". We believe Canadians have confidence in themselves as Canadians. This is the only kind of confidence worth having.

Of all the concessions made by this government in order to get a trade agreement with the United States, the most extraordinary and most damaging to our country's future are those which limit Canada's ability to make and implement effective social and economic policies. The government has given up policy control over foreign investment, energy, services, agriculture and the automotive industry. By doing so it has foreclosed on the ability of government to significantly influence our future economic development in all regions of Canada. In this section, we use as much as possible the eloquent words of the witnesses themselves to convey our views.

What does loss of domestic price control in the energy provisions of the agreement mean? "Quebec has managed to develop its whole aluminium sector and renovate its whole pulp and paper sector by putting its cheap



hydro-electric rates on the table. If we are forced to set the same prices as they have in the U.S.A., we will never be able to use that piece of industrial development strategy again. The companies will prefer to set up close to their big markets rather than in Quebec or in Canada.” (Gérald Larose, Conseil des Syndicats Nationaux-Québec)

“Instead of going into the battle with Ontario for Alberta’s rights, are we going to try to allocate the authority to some administrator in Washington? ... (the NEB) no longer will be able to say anything about our natural gas. But there will be people in FERC, there will be people in the utility regulatory bodies in California, and there will be people in Washington who will tell us what we can do with our natural gas.” (Joseph Mercier, Universal Explorations Ltd - Alberta) “There is a reimplemention of the old National Energy Policy, but on a different basis . . . (the Americans) now have the National Energy Policy that the Ontario people used to have”. (Ralph Loffmark, former SOCRED Cabinet Minister-B.C.)

Enforcement of safeguards critical to the long term growth and security of the auto industry in Ontario and Quebec have been given up along with leverage on offshore producers to locate in Canada. “If you have the safeguards without the penalty, how can people be so sure about the future when everybody says the auto industry is going to go through another shake-out between now and the early 1990s. If you take away the penalty enforcement for the safeguards. I think you put a lot of jobs in Canada in jeopardy.” (Bob White, CAW)

Auto Pact approaches to regional industrial development are no longer possible now. “Under the new bilateral free trade agreement, all rights by Canada to insist on performance requirements from foreign producers in this country, at least U.S. producers, have been surrendered.” (Professor Bruce Wilkinson-Alberta)

Preferential government policies which gave rise to world class firms such as Lavalin and Northern Telecom and Alberta petrochemical firms will no longer be possible. Former Premier Lougheed may feel no longer the need for these policies. Does this mean that weaker provinces must forfeit their rights as well?

The Council of Yukon Indians with whom we talked in Whitehorse felt that the deal would prevent local purchases and hiring preferences which are helping to revive the Yukon. The Yukon government believes: “The continental trade deal would take us in another direction. From what we know about the arrangement so far, it might return us to the narrow, weak,



and colonial past that our community has rejected. The deal may have some serious repercussions for local control and import substitution.”

Opening the door to U.S. Agricultural products undermines our supply management structure, threatens our continuing self-sufficiency in a wide range of agricultural commodities and weakens the economic viability of rural Canada. The grocery products manufacturers have told us that maintaining supply management will have ‘dire consequences’ for their industries and have pressed to have it phased out.

“Why should we sign a deal that will virtually annihilate Canadian Horticultural producers? Is the Canadian family farm no longer of significance? Do we not want to secure our own food supply? Do we feel comfortable with having other countries as suppliers of our food at God knows what costs and then going short when they have crop shorfalls? Do we feel comfortable with putting our farmers out of business?” (Gerald Geen—President B.C. Fruit Growers)

“Many of our institutional bodies structured specifically to serve the domestic market will not survive in their present form. The bottom line to producers will be lower prices for farm products.” (Wayne Easter, National Farmers Union) “Our producers may not lose their jobs, but they will simply lose their business . . . What is at stake is indeed the very foundation of the family farm”. (Jacques Proulx—Union des Producteurs Agricoles du Québec)

In agreeing that our cultural policies can be traded off against fish or lumber, the government has stacked the deck against cultural sovereignty concerns, when they conflict with economic interests. “The effect of the Notwithstanding clause is to debilitate culture by crippling government cultural policy. Far from preserving and protecting culture, this clause will do it tremendous damage”. (Winnipeg Film Group)

“Our artists are fireflies. Illuminating the night with brief insights into who we are and what we are. We are Canadians when we share a mutuality of that expression, when we share a common set of values, a way of looking at things that is identifiably us. When we define ourselves by what we are and what we want to be, our history is a record of our attempts to define ourselves; to preserve the east-west axis of our country, despite the economic pull to the south. Our response to the thrust of history, is to negotiate an agreement whose underlying implication is a re-definition of ourselves on American terms. To become less of what we are and could become. To trade our soul for a slice of bread. I weep for my country”. (Jack McAndrew, President, Video Atlantic, PEI)



In agreeing to harmonize our policies and regulations with those of the U.S. this agreement will gradually erode Canada's ability to meet a vast array of social, cultural, linguistic, and geographic priorities specific to our country. The Canadian Chamber of Commerce and the Business Council of B.C. both admit to the future pressure facing our social programs. National Sea Products Inc. (Halifax) told us "one of the most important reasons (for Canadian competitiveness) is that the cost of health care and workmans' compensation in Canada is well below what American companies typically have to lay out". Whether or not you agree that social programs are endangered, you generate a context in which these arguments can be made in the process of levelling the playing field.

In agreeing to the inclusion of services, the government has committed itself to concessions with no knowledge of the consequences. Neither it nor the Macdonald Commission have done job impact studies. The only systematic assessment in services was presented by the Independent Computer Services Industries Association regarding the information processing industry. They predict 360,000 direct job losses, mainly women, by 1993.

The Mulroney government has sold this deal on the grounds that it will create hundreds of thousands of jobs. The Economic Council study which he cited most often in this regard is now irrelevant because it made major assumptions which do not apply to the current deal. Meanwhile his Ministers have let drop hints of 500,000 in job losses.

Witnesses before our Committee predicted thousands of job losses in resource industries, fish processing, food processing, printing services, clothing, autos, etc. No government witnesses reported significant job gains from this deal. At most, they talked (unconvincingly) of protecting jobs.

We were presented with evidence showing that U.S. companies have not been creating jobs in Canada. With decreases in policy control over these companies together with a rise in foreign takeovers, the drain of jobs, as subsidiaries buy from their U.S. parents, will accelerate.

Perhaps most disturbing in terms of potential employment loss was the testimony heard from John Ralston Saul on the exodus of industries to the Southern United States and the Mexican strip of below the U.S. border, called the Maquiladora. "This rapidly expanding zone contains more than 1,200 American factories, some 300,000 Mexican workers, mostly teenagers, ununionized and employed at wages approximately \$0.65 U.S. an hour." This pull also exists for Canadian firms, and will grow with the trade agreement. The U.S. experience of industrial job loss and deteriorating income distribution provides a mirror of our own future.



## CONCLUSIONS and RECOMMENDATIONS

We believe that without an election on this issue, the government's trade deal violates the principles and conventions of parliamentary democracy.

The debate is a national one. The hearings have revealed strong opposition in virtually every province and territory in Canada. Everywhere adverse consequences are expected. There is absolutely no evidence to show that this is an issue which pits one region's loss against another's gain. Those in the debate who would argue otherwise commit a dangerous falsehood.

In pursuit of the illusory secure U.S. market access, we have paid heavily. The dream is still remote with a flawed dispute settlement mechanism and no exemption from the Omnibus trade Bill. In seven years, we will pay again to get 'common rules'; and still we will not get secure access, but will be more integrated and more dependent.

We believe that Canada should negotiate with the United States either multilaterally through GATT or bilaterally in a piecemeal way: that is, separately on outstanding issues including: tariffs, trade laws, dispute resolution mechanisms, sectoral issues, etc. We do have leverage. We are their largest market and we are a reliable supplier of resources which they are running out of.

We have an option to relying so heavily on the U.S. market. More effort should be put into opening other markets and securing our own market.

Finally we believe that the government should heed the advice that the Assembly of First Nations gave the Committee based on their own historical experience of the dangers of bargaining with a much stronger power. "It is always the strongest one who puts the terms in the treaties, and the one that is bound by it has to follow the words. The United States is a lot stronger than Canada, just as the British government was a lot stronger than the sovereign Indian nations in Canada that had to deal with the English and follow the rules of the English government". (Vice-Chief Sioui). Otherwise, the final lament of Chief Moses Okimaw's brief: "Free Trade will make Indians of us all", may well be the Mulroney government's legacy to our children.



## GLOSSARY OF TERMS

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International trade policy and negotiations, like other specialized fields, have developed their own distinctive vocabulary which mystified laymen—even experts. This glossary provides a guide to some of the specialized terms, abbreviations and acronyms used in international trade negotiations.

The definitions in this glossary are drawn from “Canada-U.S. Trade Negotiations Glossary”.

**Adjustment** The ongoing process by which the economy declines or renews and adjusts to changing circumstances. Among the factors which influence the scope and pace of adjustment are changes in technology and productivity, trade liberalization, consumer taste, resource exhaustion, and the changing composition of the labour force. See also structural change.

**Adjustment Assistance** Financial, training and re-employment technical assistance to workers and technical assistance to firms and industries to help them cope with adjustment difficulties arising from increased import competition. The objective of the assistance is usually to help an industry to become more competitive in the same line of production, or to move into other economic activities. The aid to workers can take the form of training (to qualify the affected individuals for employment in new or expanding industries), relocation allowances (to help them move from areas characterized by high unemployment to areas where employment may be available) or unemployment compensation (to tide them over while they are searching for new jobs).



Anti-dumping	Additional duties imposed by an importing country in instances where imports are priced at less than the "normal" price charged in the exporter's domestic market and are causing material injury to domestic industry in the importing country.
Auto Pact	A sectoral trade agreement (The Automotive Products Trade Agreement) entered into by the United States and Canada in 1965 in order to encourage the rationalization and growth of the North American auto industry. It provides for duty-free movement between the two countries of new automobiles and original equipment parts. In the case of Canada, only producers who benefit are allowed to import duty-free.
Binding	Concept of agreeing to maintain a particular tariff level or other trade restriction (i.e., binding it against increase of change). In trade negotiations, binding a tariff is considered equivalent to a significant reduction in the level. The industrialized countries have virtually bound all their tariffs on industrial products in seven rounds of GATT negotiations.
Dispute Settlement	Those institutional provisions in a trade mechanism agreement which provide the means by which differences of view between the parties can be settled.
Drawback	Import duties or taxes repaid by a government in whole or in part, when the imported goods are re-exported or used in the manufacture of exported goods.
Dumping	The sale of an imported commodity at a price lower than that at which it is sold within the exporting country or to third countries. Dumping is generally recognized as an unfair trade practice that can disrupt markets and injure producers of competitive products in the importing country. Article VI of GATT permits the imposition of special anti-dumping duties against "dumped" goods equal to the difference between their export price and their normal value in the exporting country.



- Fast-track Procedures** Legislative procedures set forth in Section 151 of the Trade Act of 1974, stipulating that once the President formally submits to Congress a bill implementing an agreement (negotiated under the Act's authority) concerning non-tariff barriers to trade, both houses must vote on the bill within 90 days. No amendments are permitted. The purpose of these procedures is to assure foreign governments that Congress will act expeditiously on an agreement they negotiate with the U.S. Government. Under current law, the fast-track procedures expire on 3 January, 1988.
- GATT** The General Agreement on Tariffs and Trade (GATT) is a multilateral treaty, subscribed to by 95 countries which together account for more than four-fifths of world trade, which delineates rules for international trade. The primary objective of the GATT is to liberalize world trade and place it on a secure basis, thereby contributing to global economic growth and development.
- Grandfathered** Any clause in an agreement which provides that certain existing programs, practices and policies are exempt from an obligation.
- GNP** Gross National Product.
- Intellectual Property** A collective term used to refer to new ideas, inventions, designs, writings, films, etc. and protected by copyright, patents, trademarks, etc.
- Liberalization** Reductions in tariffs and other measures that restrict world trade, unilaterally, bilaterally or multilaterally. Trade liberalization has been the objective of all GATT trade negotiations.



- Multilateral Trade Negotiations (MTN)** Seven Rounds of Multilateral Trade Negotiations have been held under the auspices of GATT since 1947. Each Round represented a discrete and lengthy series of interacting bargaining sessions among the participating Contracting Parties in search of mutually beneficial agreements looking toward the reduction of barriers to world trade. The agreement ultimately reached at the conclusion of each Round became new GATT commitments and thus amounted to an important step in the evolution of the world trading system.
- Non-Tariff Barriers or Measures** Government measures or policies other than tariffs which restrict or distort international trade. Examples include import quotas, discriminatory government procurement practices and measures to protect intellectual property. Such measures have become relatively more conspicuous impediments to trade as tariffs have been reduced during the period since World War II.
- Rules of Origin** The term for the set of measures used to differentiate between goods originating in one country from those in another for the purpose of the application of trade measures such as tariffs. For example, goods made up of components originating in various countries but which when assembled add 50 percent to their overall value may be considered to be goods originating in one country, whereas the addition of 25 percent in value would not qualify. Such rules are very important for countries which are members of a free-trade area.
- Safeguards** The term, safeguards, refers to emergency actions in the form of additional duties or import quotas applied to fairly traded imports which nevertheless cause or threaten serious injury to domestic producers.



**Sectoral Trade Agreement** A trade agreement limited in its application to a particular group of related products comprising a sector. The Auto Pact is an example of a bilateral sectoral agreement and the GATT Aircraft Agreement is an example of a multilateral sectoral agreement.

**Services** Economic activities the result of which is the provision of services rather than goods. Includes such diverse activities as transportation, communications, insurance, banking, advertising, consulting, distribution, engineering, medicine, education, etc. It is the fastest growing area of economic activity in Canada. Two-thirds of working Canadians are now employed in the service sector. Trade in services takes place when a service is exported from a supplier nation to another nation, such as an international airflight, the extension of credit or the design of a bridge.

**Standards** As defined by the MTN Agreement on Technical Barriers to Trade (Standards Code), a standard is a technical specification contained in a document that lays down characteristics of a product such as levels of quality, performance, safety, or dimensions. It may include, or deal exclusively with terminology, symbols, testing and test methods, packaging, marking or labelling requirements as they apply to a product.

**Tariff** A duty (for tax) levied upon goods transported from one customs area to another. Tariffs raise the prices of imported goods, thus making them less competitive within the market of the importing country. After seven Rounds of GATT negotiations that focused heavily on tariff reductions, tariffs are less important measures of protection than they used to be. The term tariff often refers to a comprehensive list or "schedule" of merchandise with the rate of duty to be paid to the government for importing products listed. The tariff rate is the rate at which imported goods are taxed.



- Tariff Escalation** A situation in which tariffs on manufactured goods are relatively high, tariffs on semi-processed goods are moderate, and tariffs on raw materials are non-existent or very low. Such "escalation" which exists in the tariff schedules of most developed countries is said to discourage the development of manufacturing industries in resource rich-countries.
- Uruguay Round** Eighth in a series of multilateral trade negotiations held under the auspices of GATT. This round was launched at Punta del Este, Uruguay in September 1986.
- Voluntary Restraint Agreement (VRAs)**  
**Voluntary Export Restraints (VERs)** Informal arrangements through which exporters voluntarily restrain certain exports, or usually through export quotas, to avoid economic dislocation in an importing country, and to avert the possible imposition of mandatory import restrictions. Such arrangements do not normally entail "compensation" for the exporting country.



# APPENDIX "A"

## Witnesses

NAME	ISSUE	DATE
ACTRA (Alliance of Canadian Cinema, Television and Radio Artists)	64	07/12/87
Alberta Federation of Labour	46	24/11/87
Anglican Church of Canada	63	07/12/87
Assembly of First Nations	39	18/11/87
Association of British Columbia Grape Growers	44	23/11/87
Atlantic Federations of Labour	58	02/12/87
Atlantic Provinces Chamber of Commerce	57	02/12/87
Atwood, Margaret	33	03/11/87
Barnes, James, Dean, Faculty of Business Administration, Memorial University of Newfoundland	62	04/12/87
Board of Trade of Metropolitan Toronto	63	07/12/87
Britex Limited	59	03/12/87
British Columbia Federation of Labour	44	23/11/87
British Columbia Fruit Growers' Association	44	23/11/87
British Columbia Vegetable Marketing Commission	44	23/11/87
Business Council of British Columbia	43	23/11/87
Business Council on National Issues	35	05/11/87
C.D. Howe Institute, Richard G. Lipsey	37	17/11/87
Cameron, Duncan, Political Economist, University of Ottawa	33	03/11/87
Canadian Alliance for Trade and Job Opportunities	35	05/11/87
Canadian Auto Workers	37	17/11/87



NAME	ISSUE	DATE
Canadian Bankers' Association	34	04/11/87
Canadian Cattlemen's Association	37	17/11/87
Canadian Chamber of Commerce	34	04/11/87
Canadian Chemical Producers' Association	35	05/11/87
Canadian Exporters' Association	41	19/11/87
Canadian Federation of Agriculture	49	26/11/87
Canadian Federation of Independent Business	32	03/11/87
Canadian Independent Computer Services Association	51	27/11/87
Canadian Labour Congress	61	04/12/87
Canadian Life and Health Insurance Association Inc.	64	07/12/87
Canadian Manufacturers' Association	39	18/11/87
Canadian Meat Council	52	27/11/87
Canadian Organization of Small Business Inc.	33	03/11/87
Canadian Petroleum Association	45	24/11/87
Canadian Pork Council	46	24/11/87
Canadian Printing Industries Association	56	01/12/87
Canadian Steel Producers Association	33	03/11/87
Canadian Textiles Institute	53	30/11/87
Canadian Union of Public Employees	59	03/12/87
Carney, Honourable Pat, Minister for International Trade	30	29/10/87
<i>Centrale des syndicats démocratiques</i>	53	30/11/87
Citizens Concerned About Free Trade	50	26/11/87
Clarkson, Adrienne	38	17/11/87
Coalition Against "Free" Trade and Victoria Coalition on Free Trade	44	23/11/87
Consumers Association of Canada	47	25/11/87



NAME	ISSUE	DATE
Coalition of Citizens Against Pornography	62	04/12/87
<i>Coalition québécoise d'opposition au libre-échange</i>	34	04/11/87
<i>Coalition régionale de Montréal d'opposition au libre-échange</i>	53	30/11/87
Co-op Atlantic	56	01/12/87
Council of Canadians	32	03/11/87
Council of Forest Industries of British Columbia	44	23/11/87
Crispo, John, Faculty of Management, University of Toronto	38	17/11/87
De Roo, Most Reverend Remi	42	19/11/87
Dene Nation	47	25/11/87
Dominion Textile Inc.	53	30/11/87
Economic Council of Newfoundland and Labrador	61	04/12/87
Electronic Manufacturers Association of British Columbia	43	23/11/87
Falconbridge Limited	63	07/12/87
<i>Fédération nationale des Associations de consommateurs du Québec</i>	40	19/11/87
Fishermen, Food and Allied Workers	61	04/12/87
Fishery Products International	62	04/12/87
Flax Growers of Western Canada	50	26/11/87
Gatt-Fly Project	42	19/11/87
Government of Manitoba	51	27/11/87
Government of Prince Edward Island	58	02/12/87
Government of Saskatchewan	49	26/11/87
Government of the Northwest Territories	47	25/11/87
Greater Summerside Chamber of Commerce	57	02/12/87
Grocery Products Manufacturers of Canada	41	19/11/87



NAME	ISSUE	DATE
Halifax Board of Trade	60	03/12/87
Hunter's Manufacturing	50	26/11/87
Hurtig, Mel	38	17/11/87
Inco Ltd., Manitoba Division	52	27/11/87
Independent Petroleum Association of Canada	45	24/11/87
Independent Shake and Shingle Producers Association of British Columbia	43	23/11/87
International Minerals & Chemicals Corporation (Canada) Ltd.	50	26/11/87
Intercontinental Packers	50	26/11/87
IPSCO Inc.	35	05/11/87
J.M.L. Shirt Co. Ltd.	56	01/12/87
Key Lake Mining Corporation	50	26/11/87
Kierans, Honourable Eric, Fellow-in-Residence, The Institute for Research on Public Policy	59	03/12/87
Landry, Professor Bernard, Université du Québec à Montréal	38	17/11/87
LaPierre, Laurier	43	23/11/87
Loffmark, Honourable Ralph	44	23/11/87
Lougheed, Honourable Peter E.	39	18/11/87
Macmillan, Katie	42	19/11/87
Manitoba Coalition Against Free Trade	51	27/11/87
Manitoba Federation of Labour, C.L.C.	52	27/11/87
Manitoba Trucking Association	51	27/11/87
Manufacturers Life Insurance Company	64	07/12/87
Maritime Conference of the United Church of Canada	55	01/12/87
Mella, Patricia	58	02/12/87
Mercier, Joseph	46	24/11/87



NAME	ISSUE	DATE
Mining Association of British Columbia	43	23/11/87
Mining Association of Manitoba	52	27/11/87
Motor Vehicles Manufacturers' Association	34	04/11/87
National Action Committee on the Status of Women	35	05/11/87
National Action Committee on the Status of Women (Quebec Region)	54	30/11/87
National Anti-Poverty Organization	40	19/11/87
National Farmers Union	35	05/11/87
	57	02/12/87
National Sea Products Limited	60	03/12/87
New Brunswick Federation of Agriculture	56	01/12/87
New Brunswick Fish Packers' Association	55	01/12/87
North Canadian Oils Limited	50	26/11/87
Northwest Territories Chamber of Mines	47	25/11/87
Northwest Territories Federation of Labour	48	25/11/87
One Voice-Seniors' Network (Canada) Inc.	40	19/11/87
Ontario Federation of Labour	63	07/12/87
Prairie Implement Manufacturers Association	50	26/11/87
Pratt, Christopher	62	04/12/87
Prince Edward Island Egg Commodity Marketing Board	57	02/12/87
Prince Edward Island Fishermen's Association Ltd.	58	02/12/87
Prince Edward Island Seafood Processors Association	58	02/12/87
Prince Edward Island Potato Marketing Board	57	02/12/87
Provincial Advisory Council on the Status of Women (Newfoundland and Labrador)	61	04/12/87
Regan, Honourable Gerald	59	03/12/87



NAME	ISSUE	DATE
<i>Regroupement pour le libre-échange</i>	53	30/11/87
Repap Enterprises Corporation Inc.	55	01/12/87
Richler, Mordecai	39	18/11/87
Robinson, John	57	02/12/87
Roman Catholic Social Action Commission, Archdiocese St. John's	62	04/12/87
Romanow, Roy, M.L.A., Leader of the Opposition, Saskatoon	49	26/11/87
Rotstein, Abraham, Professor of Economics, University of Toronto	64	07/12/87
Rugman, Alan M., Professor of International Business Faculty of Management, University of Toronto	64	07/12/87
Saskatchewan Canola Growers Association	50	26/11/87
Saskatchewan Pork Producers Marketing Board	50	26/11/87
Saskatchewan Pro-Canada Network	49	26/11/87
Saul, John Ralston	45	24/11/87
Sharp, Honourable Mitchell	32	03/11/87
Small Explorers and Producers Association of Canada	45	24/11/87
Stairs, Denis, Professor of Political Science Dalhousie University	60	03/12/87
Texturon Inc.	53	30/11/87
Tourism Industry Association of the Northwest Territories	48	25/11/87
Trade Negotiations Office	30	29/10/87
	31	02/11/87
	36	16/11/87
	65	08/12/87



NAME	ISSUE	DATE
United Church of Canada	63	07/12/87
United Grain Growers Limited	52	27/11/87
United Steelworkers of America	53	30/11/87
Vancouver Board of Trade	43	23/11/87
Video Atlantic Inc.	57	02/12/87
Western Barley Growers Association	46	24/11/87
Western Canadian Wheat Growers Association	50	26/11/87
Weyerhaeuser Canada Ltd.	50	26/11/87
Wilkinson, Bruce, Professor of Economics, University of Alberta	45	24/11/87
Winnipeg Chamber of Commerce	51	27/11/87
Women's Action Coalition of Nova Scotia	60	03/12/87
Yellowknife and Northwest Territories Chambers of Commerce	47	25/11/87
Yukon Territorial Government	48	25/11/87



The following is a list of briefs and submissions to the Committee from organizations and individuals.

A.T. Wickham & Associates Trade Consultants Ltd.

Advani, Janak

Agromex Inc.

Alberta Status of Women Action Committee (The)

Atlantic Publishers Association

Bates, Kirk

British Columbia Provincial Council of Carpenters

Canadian Arctic Resources Committee

Canadian Association of Social Workers

Canadian Speeches

Catholics Against Free Trade

Christian Farmers Federation

Clark, Robert

Clow, Michael

Coalition Against Free Trade

Community Business and Professional Association of Canada

Confederation of Canadian Unions

Council of Canadian (The) - Winnipeg Branch

De Lasala, Jennifer

Dorey, Steve

Doskoch, Walter

Doubletex Inc.

Downey, Terrence J.

Emberley, Kenneth

End Legislated Poverty



Evangelical Lutheran Church in Canada—Office of Public Policy and Government Affairs—The  
Institute of Christian Ethics

Fishermen's Union—Local 1252, United Food & Commercial Workers

Fredericton Anti-Poverty Organization

Government of Newfoundland and Labrador

Halifax-Dartmouth and District Labour Council, C.L.C.

Hemming, Timothy

Hungarian Cultural Society

Inniskillen Wines Inc.

International Association of Machinists & Aerospace Workers

Jackson, Francis L.

Le conseil canadien du commerce de détail

McKim, R.A.

Mississauga Citizens Against the Free Trade Deal

NOVA

N.W.T. Chamber of Mines

Office of Social Action—Archdiocese of St. John's

Organized Working Women—Toronto Chapter

Pacific Group for Policy Alternatives

Pasciel, Rita

Periodical Writers Association of Canada

Provincial Council of Women of Ontario (The)

Public Service Alliance of Canada

Pulp, Paper and Woodworkers of Canada

Retail Council of Canada

Salmond, Eric

Saul, John Ralston

Thadin, John W.

Unemployed Teachers' Action Centre

United Association of Journeymen and apprentices of the Plumbing and Pipe Fitting Industry  
of the United States and Canada

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Vachon, Gilles

Vancouver and District Public Housing Tenants Association

Vancouver Status of Women

Western Canada Wilderness Committee

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A copy of the relevant Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and International Trade (*Issues 29 to 65 inclusive and 66 which includes this Report*) is tabled.

Respectfully submitted,

William C. Winegard, M.P.  
Chairman

[Text]

## MINUTES OF PROCEEDINGS

TUESDAY, DECEMBER 8, 1987

(98)

The Standing Committee on External Affairs and International Trade met, *in camera*, at 3:45 o'clock p.m., this day, in Room 209, West Block, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Warren Allmand, Lloyd Axworthy, Clément Côté, Howard Crosby, Girve Fretz, Steven Langdon, Bill Lesick, Don Ravis, John Reimer, William C. Winegard.

*In attendance: From the Parliamentary Centre for Foreign Affairs and Foreign Trade:* Peter Dobell, Study Director; Peter Clark, Philip Rourke, Committee Researchers. Barbara Arneil, Liberal Staff Representative. Bruce Campbell, N.D.P. Staff Representative. James McIlroy, P.C. Staff Representative.

Pursuant to Standing Order 96(2) the Committee resumed consideration of the Canada-U.S. Free Trade Agreement tabled in the House of Commons on October 5, 1987.

The Committee began consideration of a draft report to the House.

It was agreed,—That the deliberations on the draft report of the Elements of the Canada-U.S. Free Trade Agreement be *in camera* but that decisions of the Committee, pursuant to a motion, be recorded and that recorded votes be published in the Minutes of Proceedings and Evidence.

Girve Fretz moved,—That the Committee complete its deliberations and adopt the Fourth Report to the House on the Elements of the Canada-U.S. Free Trade Agreement by 9.00 p.m., on Thursday, December 10, 1987.

The question being put on the motion, it was agreed to by a show of hands: YEAS: 7, NAYS: 1.

John Reimer moved,—That the majority statement be no longer than 7,500 words in the original language and that each opposition party have a minority statement to be printed as Addendum A - Liberal Party Position and



Addendum B - New Democratic Party Position and that each minority statement be no longer than 2,500 words in the original language. All statements are to be based on the Elements of the Agreement and the testimony received by Tuesday, December 8, 1987.

The question being put on the motion, it was agreed to by a show of hands: YEAS: 7, NAYS: 1.

Don Ravis moved,—That the majority and minority statements be given to the Clerk in final form and in one official language by 6:00 p.m., Thursday, December 10, 1987 or in both official languages by 12:00 noon Friday, December 11, 1987.

The question being put on the motion, it was agreed to by a show of hands: YEAS: 7, NAYS: 0, ABSTENTIONS: 1.

At 4:50 o'clock p.m, the Committee adjourned to the call of the Chair.

WEDNESDAY, DECEMBER 9, 1987

(99)

The Standing Committee on External Affairs and International Trade met, *in camera*, at 3:45 o'clock p.m., this day, in Room 308, West Block, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Warren Allmand, Lloyd Axworthy, Bill Blaikie, Clément Côté, Howard Crosby, Girve Fretz, Bill Lesick, Don Ravis, John Reimer, William C. Winegard.

*In attendance: From the Parliamentary Centre for Foreign Affairs and Foreign Trade:* Peter Dobell, Study Director; Peter Clark, Bob Miller, Philip Rourke, Committee Researchers. Barbara Arneil, Liberal Staff Representative. James McIlroy, P.C. Staff Representative.

Pursuant to Standing Order 96(2) the Committee resumed consideration of the Canada-U.S. Free Trade Agreement tabled in the House of Commons on October 5, 1987.

The Committee resumed consideration of a draft report to the House.

At 6:15 o'clock p.m., the Committee adjourned to the call of the Chair.

THURSDAY, DECEMBER 10, 1987

(100)

The Standing Committee on External Affairs and International Trade met, *in camera* at 3:44 o'clock p.m., this day, in Room 209, West Block, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Bill Blaikie, Clément Côté, Girve Fretz, Don Ravis, John Reimer, William C. Winegard.

*Acting Members present:* Mary Collins for Howard Crosby, Maurice Foster for Lloyd Axworthy and Bill Kempling for Bill Lesick.

*Other Member present:* Morrissey Johnson.

*In attendance: From the Parliamentary Centre for Foreign Affairs and Foreign Trade:* Peter Dobell, Study Director; Peter Dobell, Study Director; Peter Clark, Bob Miller, Philip Rourke, Committee Researchers. Barbara Arneil, Liberal Staff Representative. Bruce Campbell, N.D.P. Staff Representative.

Pursuant to Standing Order 96(2) the Committee resumed consideration of the Canada-U.S. Free Trade Agreement tabled in the House of Commons on October 5, 1987.

The Committee resumed consideration of its draft report to the House.

At 5:47 o'clock p.m., the sitting was suspended.

At 6:35 o'clock p.m., the sitting resumed.

On motion of Girve Fretz, it was unanimously agreed,—That the document, as amended, comprising the Introduction, Background to the Agreement, The Hearings, Common Ground, and The Majority View, Addendum A - Liberal Party Position, Addendum B - New Democratic Party Position, Glossary of Terms and Appendices A (Witnesses) and B (Submissions), be adopted as the Committee's Fourth Report to the House.

On motion of Bill Kempling, it was agreed,—That the Chairman be authorized to make those changes as instructed by the Committee during its meeting today and any editorial changes as required in consultation with the Committee researchers.



On motion of John Reimer, it was agreed,—That the Chairman be instructed to present the Committee's Fourth Report to the House, in both official languages, on Tuesday, December 15, 1987.

It was agreed,—That for Tuesday, December 15, the Committee photocopy 1,000 copies of its Fourth Report to the House in English and 300 copies in French.

On motion of John Reimer, it was agreed,—That subsequently the Committee print in a bilingual tumbled format, with a Mayfair cover, 5,000 copies of its Fourth Report (Issue 66) to the House.

At 6:50 o'clock p.m., the Committee adjourned to the call of the Chair.

Maija Adamsons,  
*Clerk of the Committee.*

