



# Statements and Speeches

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## TOWARDS THE ENHANCEMENT OF TRADE WITH THE UNITED STATES

Statement by the Right Honourable Joe Clark, Secretary of State for External Affairs, to the Kitchener-Waterloo Chamber of Commerce, Kitchener, October 10, 1985.

Canadians have faced critical choices in economic trade policy at many times in the past. The Canadian economy was built on trade, and throughout our history, Canadian jobs have depended on trade. A strong trade performance means a strong economy, and that means an ability to invest in the social and cultural institutions which let us be ourselves as Canadians. We want to keep medicare and our other social programs. We want to keep the instruments and the symbols of our distinct Canadian identity. We want to assert our sovereignty in our North, and in our cultural expression, and in the quality of our life. To do that, we need secure jobs and steady growth. To have jobs and growth, we need trade.

However, in recent years, the international economic environment — the world we trade in — has changed profoundly. It is worth remembering what happened the last time there were profound changes.

Five decades ago the world was in the midst of the Great Depression. Countries everywhere called for protection of their own industries. Restrictive trade policies were followed and they made things worse.

Canada and the United States were the first to act against the strong protectionist pressures of that time. We began, together, the process of tearing down these obstacles to growth; and in 1935 we concluded a bilateral trade agreement.

In 1938, we were joined by other countries. And the principles underlying the Canadian-American bilateral agreement eventually provided the foundation of the postwar multilateral trading system.

For half a century Canada has pursued a policy of trade liberalization. Today more than ever, our prosperity and that of our partners depend on an expanding world trade and a growing world economy.

Trade is critical to our livelihood. Today, almost one-third of what we produce is exported. Few countries in the world are so dependent on trade. For Canada, trade means jobs. Yet our share of world trade has been declining. This trend ultimately threatens the jobs of thousands of Canadians and the living standards of the nation as a whole.

This government was elected to create jobs and growth. As one important step, we have embarked on a campaign to reduce trade barriers around the world and to enhance Canada's access to markets everywhere.

We are pursuing these goals both on the multilateral front with all the countries participating in the

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General Agreement on Tariffs and Trade and, as well, bilaterally with our major trading partner, the United States.

At the Bonn Summit in May, at the Organization for Economic Co-operation and Development, and elsewhere, we joined with other Western governments in calling for a new round of multilateral trade negotiations to pick up where the Tokyo round left off. But consensus in the developed world is not enough alone.

So, for several months we have been working to narrow the differences between the developed and the developing countries with respect to the Multilateral Trade Negotiations. This month, a delegation headed by a senior official of my department will be visiting Asian countries to get agreement on an agenda. Similar consultations have already been held with Colombia, Chile, Peru, Argentina and Brazil.

And, now, we have agreed to open discussions with the United States, which could lead to a new bilateral trading agreement between our two countries.

More than three-quarters of our total annual exports go to the US markets. Obviously, we are extremely vulnerable to any protective trade actions taken by the United States, whether those actions are aimed at others, or at us.

Some people ask "Why worry about trade with the United States?" Let me begin to answer by talking about one big threat, and three important roadblocks Canadians face today.

The threat is to thousands of existing Canadian jobs, which are being put at risk by protectionism in the United States. The roadblocks are "Buy America", safeguards, and countervail.

There are other obstacles to Canadian trade, built into the US system, limiting Canadian jobs, but tonight let me talk about these three.

"Buy America" is a program which can lock Canadians out of the market for goods bought or financed by US governments, local, state or federal. It can force Canadian companies to move to the United States in order to sell there. That is why Bombardier recently had to move a Canadian plant to Vermont, to supply subway cars to New York. Flyer Industries of Manitoba, who produce buses, were forced to move their final assembly facilities to Minnesota. Ontario Urban Transit Development Commission has similar problems.

If we were to set as a target just 1 per cent of the goods now controlled by the "Buy America" policy, we would increase our export sales by \$5 billion. Yet we are virtually shut out of that market, right next door. That is a roadblock we would like to talk about in any trade negotiations.

"Safeguards", so-called, permit a country temporarily to protect its domestic industry when it can be demonstrated that imports are causing serious injury to that domestic industry. Safeguard actions have to apply to all countries, whether their exports are part of the problem or not. So, if Japanese

steel is a problem to the United States, they "safeguard" themselves against steel from all countries, including Canada. We are vulnerable to being side-swiped by action directed at others.

That has threatened Canadian jobs in steel and with respect to petroleum-related products.

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Countervail and anti-dumping are part of an array of so-called "contingency protection" measures designed to offset predatory pricing or unfair subsidies applied by exporting countries. Threats of countervail are blossoming in the United States, threatening Canadian jobs in export industries ranging from lumber to steel to uranium to raspberries. They are being applied in an increasingly aggressive and undisciplined manner. That is a roadblock we would like to talk about in any trade negotiations.

Our general access to the American market is threatened with more erosion every day. There are over three hundred protectionist bills in the Congress today. They either threaten or have already harmed \$6 billion in Canadian exports, and 140 000 jobs; affecting all regions of the country and a wide range of commodities.

That's the threat from Congress. In addition, various states dream up other ways to stop our trade. This summer, for example, four Western states slapped a prohibition on our pork, claiming they didn't like the antibiotics our pigs were being fed.

Even when we are successful in beating back protectionist measures, we get only temporary relief. Today's victory results in tomorrow's attempts in Congress to change the legislation to catch us next time. That leaves a constant cloud over our exports, and naturally drives away some investment in these industries.

One of the most serious threats now is to the lumber industry. Americans buy more than half of all we produce and 60 000 Canadian jobs are at stake. Three years ago, an attempt in Congress to impose new duties on Canadian lumber was defeated. There are now three new bills before Congress that would restrict our sales of softwood lumber.

The Canadian steel industry is also under recurrent threat. We managed a year ago to avoid safeguard action by the United States which would have adversely affected \$1-billion worth of Canadian exports. But we don't yet have a permanent solution to the problem.

Other exports under threat include sugar. And fish. And salt. And raspberries. And blueberries. And other products. There is even talk in the United States of imposing surcharges on all imports, and that would be a severe blow to our economy.

It has been estimated that a 10 per cent reduction in our exports alone could throw a quarter of a million Canadians out of work.

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So we have a threat we cannot ignore. Canada can't afford to lose jobs, or to have them continue under constant threat. The arrangements we have now are not good enough. We need a better mechanism for settling trade disputes and irritants; for reaching agreement on controversies over subsidies for industry, agriculture and fisheries. In brief, we need something better just to preserve Canadian jobs.

That speaks of some of the obstacles we want to discuss with the Americans, in the interest of Canadian jobs and security. But let's also look at the opportunities.

A better, fairer, more open trade arrangement with the United States would create new jobs, and better jobs. It would encourage new investment, not only foreign investment, but investment by Canadians as well, and that would build our industries and make them more competitive throughout the world. We would, in other words, be selling more products not only to the United States but to the rest of the world as well. Because we would be more competitive.

There are a great many Canadian producers who relish the challenge of greater access to a market of 250 million people. They are confident about their capacity to compete in a more certain North American environment. They have confidence in their capacity as managers and in the skills, know-how and diligence of their workers.

Consider for example the case of the Canadian petrochemical industry. Given Canada's abundance of natural resources, particularly natural gas, at relatively favourable cost, petrochemicals are one of Canada's strongest manufacturing assets. However, the industry is capital intensive. In order to be internationally competitive, it needs considerable economies of scale, which means having unfettered and secure access to a large market.

Another example of an industry which suffers today from inadequate access to the US market is the Canadian urban transit equipment industry. The Canadian market for urban transit equipment is limited. Canadian manufacturers have to export to survive. Their natural and nearest export market is the US. But "Buy America" and similar content requirements imposed at state levels, make this market extremely difficult for Canadians.

The government wants these firms to flourish. We know that this is a more promising avenue to growth and employment than bail-outs — or taking a plunge into our own brand of protectionism.

These, then, are the threats and the opportunities we face. In confronting them, we have been very conscious of the fundamental importance of involving Canadians directly in any decisions about what we might negotiate. In our economic statement of November 1984, we promised to consult closely with business, labour and other groups. And throughout the last year we have done just that.

Beginning in January, we issued a discussion paper on "How to Secure and Enhance Canadian Access to Export Markets". In May, we tabled "Future Directions for Canada's International Relations".

In the spring, my colleague, Jim Kelleher, the Minister for International Trade, undertook an intensive six-week tour across Canada meeting with hundreds of interested Canadians.

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In May, we appointed a Special Co-ordinator for Market Access Consultations, Mr. Tom Burns, former President of the Canadian Export Association. Mr. Burns and his team have met with close to 100 different associations and companies.

We also consulted provincial governments, first at the February conference of first ministers, and then in May at a meeting of federal and provincial trade ministers in Vancouver. Another meeting of trade ministers is being held today in Halifax, and trade issues will be on the agenda again when first ministers meet next month.

A Special Joint Committee of Parliament held public hearings through the summer on Canada-US trade. We want more debate in Parliament, and more consultations in the country.

We are establishing immediately a permanent International Trade Advisory Committee, to provide a constant two-way flow of information and advice between the government and the private sector on international trade matters.

The Committee will be chaired by Mr. Walter Light, past President and Chief Executive Officer of Northern Telecom. Feeding into the Committee will be more than 20 sectoral committees, comprising representatives of business, labour, consumers, cultural industries, agriculture, academics and research organizations.

This is the most wide open negotiating process in the history of Canada. The only way to ensure success is to have our negotiators knowing, firsthand, the impact of any proposals.

What the government has done so far is to invite the United States to begin negotiations on trade between the two countries. There may be no negotiations, if Congress refuses to consider arrangements which would limit its power to threaten Canada with protectionist bills. And if the negotiations begin, they may come to nothing if Washington demands a price which we are not prepared to pay. But we believe we can strike a deal that would be good for Canada. We have no illusions, however, and we know Americans will be hard bargainers. If we cannot strike a deal that would benefit all of Canada, we will strike no deal at all.

There will be commercial negotiations between two distinct and sovereign countries, whose intelligent co-operation can create more jobs, more growth and more economic security on both sides of the 49th parallel. The economic advantages of freer trade are undeniable. But we all know that modern nations are more than economic. The challenge will be to strengthen our economy and our sovereignty.

As the Prime Minister said when announcing in the House of Commons the government's intention to pursue a trade agreement with the United States, "our political sovereignty, our system of social programs, our commitment to fight regional disparities, our unique cultural identity, our special linguistic character — these are the essence of Canada. They are not at issue in these negotiations".

So, we will not be discussing Canadian medicare, or unemployment insurance, or bilingualism, or the

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Canada Council or the Canadian Broadcasting Co-operation or other instruments which define the distinctive nature of Canada. And, for their part, the Americans will not be discussing their foreign policy, right-to-work laws, or the Stars and Stripes. We won't be trading Mike Duffy for Dan Rather, or the Blue Jays for the Royals.

On the other hand, enhancement of trade with the US could strengthen our economic base and provide us with increased means to finance excellence in education, the arts, science and technology, social programs, international development and national defence. That would strengthen our sovereignty and reinforce our sense of pride as a people.

Increased prosperity lets us pursue Canadian social and cultural policies appropriate to our own conceptions, values and needs. That is the essence of sovereignty — being able to do what we want to do. What limits us today is not our will but our economy. Icebreakers cost money. So do dance troupes and social programs, and the other instruments of sovereignty.

The question of Canada's sovereignty and sovereign identity is not new to me. *Je connais quelque chose de mon pays dans mes deux langues* [I know something about my country in my two languages.] For eight long months, four years ago, I fought and changed a constitutional measure, precisely because I believe it offended the nature of my country. In two public incarnations, I have had the honour to help the Canadian people express our nature in response to foreign crises, once in Ethiopia, once on the Indochinese seas, with acts of generosity and sacrifice. Like my Prime Minister, and many of our colleagues, I came into active politics in response to Mr. Diefenbaker's vision and had the honour, a month ago, to announce sovereign decisions to ensure that northern integrity which he proclaimed.

I know something about this country — its strength, its contradictions, its sense of vulnerability. My own view is that, in recent years, we have become much stronger, as a national community, much more sure of our ability to compete.

The Canadian vision of the New World is different from the American dream. It is based on our own values, born of our culture, our history, our climate and geography. Canadians have a right to demand that our government preserve these values and protect them.

When the "national policy" was introduced in 1879, Canada was a struggling infant. Trade barriers were seen as a necessary part of a general economic program aimed at linking the new country together on an East-West axis, settling the West through a transcontinental transportation system, and building a domestic manufacturing sector.

But the Canada of 1985 is not the fragile newcomer to the family of nations that it was at Confederation. We have come of age, and the expectations of our citizens have matured. It is now appropriate for Canada to be more assertive, both as to who we are and what we can achieve.

As I indicated earlier, our economic relations with the United States have grown steadily over the past several decades. Does anyone seriously believe that Canadians have less sense of national identity today than we did in 1935? Is our sense of ourselves less vital now than 50 years ago?

Consider even more recent times. In the 1970s, we witnessed serious division between Quebec and the rest of Canada, and there were bitter quarrels between the eastern and western regions of our country. Those divisions had nothing to do with our closer economic relations with the US. They sprang from indigenous and historical sources. And we have overcome them. Canada today stands as a mature, united, country ready to assert its position in the world.

The decision to open negotiations with the United States will not weaken our sovereignty. It is an assertion of sovereignty in an increasingly interdependent world. It demonstrates our confidence that we can be as productive, innovative, ingenious and efficient as our American partners.

Sovereignty is dynamic, not static. It is constantly changing. It is not an artifact to be kept under glass and protected from the intrusion of change.

Countries acquire their sovereignty gradually. They build it, maintain it, and strengthen it by confronting and overcoming problems. That is how Canada has done it in the past. That is how we should conceive of sovereignty now.