



# Statements and Speeches

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## TOWARDS A NEW TRADE AGREEMENT WITH THE UNITED STATES

Statement by the Right Honourable Joe Clark, Secretary of State for External Affairs, to the Foreign Policy Association, New York, November 18, 1985.

Five years ago I spoke to you about the energy crisis and the requirement for both of our countries to co-operate in finding solutions to the problem.

The Canadian government of that day did not heed my advice on that or on other matters — and instead proceeded with what they called the National Energy Program (NEP). That program, involving confiscation and extraordinary government direction of the industry was unpopular in your country and disastrous in mine. One of the advantages of democracy is that unpopular policies can be changed and two weeks ago we celebrated the fifth anniversary of the NEP by ending it.

That program was one of a series of measures which marked an extraordinary Canadian preoccupation with looking inward. The epitaph of that era is that while our competition was adapting we were patriating a constitution. The irony is that we hunkered down behind defensive energy and investment policies at precisely the time Canadian self-confidence and accomplishment were burgeoning. Some would argue that Ottawa's policies created that self-confidence. I believe the opposite. Canada's new self-confidence is significant precisely because it evolved naturally in our people and our regions. It reflects natural maturity not artificial policy.

Part of the commitment of the new government was precisely to replace that sense of Canadian vulnerability and reflect Canadian confidence. In our first 14 months we have replaced the old Foreign Investment Review Agency (FIRA), dismantled the NEP and begun to work the deficit down. Now we are working to have Canada reach outward again and take advantage of our opportunities as a trading nation. We, more than most countries, rely on trade for jobs and growth. Of the seven nations of the Economic Summit, only Germany depends on exports more than Canada. That explains why we pursue so seriously now, opportunities for Canada in bilateral and multilateral trade negotiations.

I recognize that the attention of most Americans and Canadians is focused on Geneva and tomorrow's meeting between President Reagan and Secretary Gorbachev. A testament to United States leadership is the way you have involved your allies in a process whose result affects us all. President Reagan enters the discussions with the full support of the people of Canada and with our prayers.

If peace is vital to all mankind, a healthy economy is essential to maintaining and building a peaceful world. And when times are tough and protectionist wolves are at the door, we need to remind ourselves how important a strong trade performance is to the economic health of both our nations.

In the spring of 1985, at their historic summit in Quebec, President Reagan and Prime Minister Mulroney

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undertook a political commitment to halt protectionism. They reaffirmed their support for the new round of multilateral negotiations and they charged their respective trade ministers to explore all possible ways to reduce and eliminate existing barriers in our bilateral trade.

In mid-September, the United States Trade Representative, Clayton Yeutter, and my colleague, Jim Kelleher, the Minister for International Trade, recommended that the two countries explore the scope and nature of the broadest possible bilateral trade agreement. As a result, on September 26, Prime Minister Mulroney announced to Parliament that the Canadian government has decided to pursue a new trade agreement with the United States.

The Canadian proposal has been warmly welcomed by President Reagan. The ball is now in your court in terms of the domestic procedures which have to be followed in this country before negotiations can begin in a formal sense. Some three weeks ago, in Calgary, Secretary Shultz reaffirmed the positive response of the administration to our proposal and indicated to me that the United States should be ready to begin early in 1986.

The Prime Minister has appointed a distinguished and highly experienced Canadian, Mr. Simon Reisman, to spearhead the Canadian effort. He will be working closely with the Canadian provinces and consulting with business, labour and all interested Canadians to make sure that we are fully prepared for these negotiations.

What would be involved in negotiations? For our part, we are prepared to examine the broadest possible package of reductions of tariff and non-tariff barriers, and we recognize that any deal would have to be mutually beneficial. We want the United States to respond to our concerns about the protectionist effect on Canadian exports and jobs of your trade remedy legislation; about our desire to compete on a fair and competitive basis for federal and state government contracts; about the need for a more effective and predictable way to settle our differences. The United States administration will want us to listen to your concerns, for instance about the level of our tariffs, and about such things as our federal and provincial government procurement practices. We will both want to look at developing international rules regarding trade in services.

By listening to each other — by placing these concerns on the table — neither side is committed to accepting what the other side is proposing. But only by frankly discussing each other's objectives and concerns will we know whether a good deal is possible.

This is a bold move by the Canadian government, and it has, naturally, aroused some concerns in Canada. We must, as a government, be sensitive to these concerns as we move to the preparatory phase. It is precisely for that reason that we have established the most extensive consultation process ever associated with a Canadian trade initiative. We want Canadians to know what we are doing. But it is important that Americans too be sensitive to the seriousness of our initiative and to the concerns it has aroused.

Canada, like the United States, has its own distinct political, social, cultural and juridical systems, and an economy that reflects the special character of our geography, our natural resources and our people.

Canadians want a co-operative, indeed a warm relationship with the United States. But we also want a relationship that respects and reflects Canada's distinctive character and interests. Hence, Canadians will always be worried about any steps which appear to call into question the government's economic autonomy or undermine fundamental national interests, values or social institutions. As I told George Shultz in Calgary, "What is incidental to you can be central to us. What is entertainment to you can be culture to us."

The protection of our distinct cultural identity is of singular importance to Canada. Culture is an elusive concept. It is the embodiment of a nation's nature and spirit. It is the heritage that is handed down to succeeding generations. It is how we define ourselves to ourselves, and to others. This implies domestic encouragement and international exposure. Cultural industries are the commercial enterprises that transmit cultural expression, at home and abroad.

As we enter trade negotiations, some in Canada are extremely concerned with the effect these negotiations might have on Canadian cultural industries and therefore on our ability to express and develop our national sovereignty. I respect their concern. Two questions are at issue. One is the vitality and support of Canadian culture. The second is the negotiation of trade rules that might affect cultural industries. We distinguish between these questions.

Our government's intention to promote culture in Canada through direct financial support is simply not at issue in a trade negotiation. The issue of whether or not specific Canadian cultural industries require special measures to assist them is a domestic issue that falls outside trade negotiations. Nor do we expect that the extensive framework of American government support for similar institutions in the US will be considered in trade negotiations either.

No country is more open than Canada to foreign cultural products. Anyone who doubts that should look at our book stores, our theatres, our cinemas, our magazine racks, our broadcasting system, our galleries and museums. Equally, no country in the world is more committed than Canada, to making the rules of international commerce more transparent and fair.

But not all sectors are of equal weight. We, as do other countries, reserve the right to make distinctions between sectors based on certain explicit criteria. In the US, you cast the net of "national security" over more areas than we; in Canada, we cast the net of cultural sovereignty more widely than you. We may disagree, but we should also recognize that friendly relations require a willingness to accept those differences.

But that commitment to cultural sovereignty should not stop us from seeking better trade rules for cultural industries. From Canada's point of view, better rules are both possible and desirable. For example, Canadian performing artists and writers have proven their excellence but they have found US immigration rules a barrier to access. Our film makers would like to increase their presence in the US market but have found the distribution system a major obstacle.

We are prepared to discuss with the US whatever concerns it may have. We expect a similar openness

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on their side. No doubt, as the negotiations progress, the US side will state that it cannot meet certain Canadian demands; no doubt we will do the same. This is how negotiations work.

But we can make certain understandings explicit. We are prepared to discuss with the US ways we can strengthen cultural industries through trade. But under no circumstances, are we prepared to agree to any measures which weaken those Canadian industries or undermine their capacity to serve our cultural needs.

Canadian culture is strong and vibrant and it will grow and flourish. But I am acutely conscious that Canadian culture and the Canadian economy must grow together. Our government believes we can strengthen our cultural identity while at the same time building on our economic relationship with the US. That is the modern reality in Canada.

Last year the total trade between our two countries amounted to over US \$120 billion (that's over \$150 billion Canadian), the largest exchange between any two nations. Twice as great as America's commerce with Japan, it is greater than your trade with all the nations of the European Common Market. The US does more trade with the province of Ontario than it does with the European Community; more with British Columbia than with China. In the case of New York, the trade of your state with Canada in 1984 was over \$15 billion; a figure larger than all US trade with France.

The pay cheques of over four million workers living on both sides of our border are directly dependent on our mutual trading relationship. Let me put it another way. Imagine if you will that the livelihood of almost every man, woman and child in your neighbouring state of New Jersey depended on our commercial relationship.

American investment in Canada represents some 80 per cent of all foreign capital in Canada (and 25 per cent of all US investment abroad) while Canada is the second largest foreign investor in the US.

Our economies do not grow at the expense of one another. They grow together. The evidence is clear. Even with your trade deficit, trade with Canada still brings jobs and advantages to the United States. Canada is your fastest growing foreign market. In spite of the high value of the US dollar, Canada last year bought \$53 billion in American goods. And trade for Americans as well as Canadians is spelled JOBS. In other words we have an economic relationship that is unique in its volume, unique in its breadth and depth and unique in the challenge and opportunity it presents to our two countries.

These negotiations will not be the first time that Canada and the United States will be sitting down to try to improve our trading relationship. In 1935, we concluded a bilateral trade agreement. Other countries joined us in 1938 and the principles of our bilateral accords formed the foundation of the postwar multilateral trading system. Together we also worked out the autopact agreement and the defense production sharing arrangements. Precisely because we have risen to the challenge before, we know that success at the end of the day repays the enormous effort, and good will and trust which negotiations require.

We and the United States will also be negotiating with each other and with all our major trading partners in a new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT).

Past rounds of multilateral trade negotiations under the GATT have brought the benefits of trade liberalization to both countries. And each multilateral round has, in effect, amounted to a series of mini-bilateral rounds in which the Canada-US agreement has always served as a significant building block to the larger results which have fostered our postwar prosperity.

The underlying reasons for seeking a new trading relationship are clear. There is now a common broadly shared understanding that economic progress is by no means inevitable. We have developed a growing awareness that our economies are confronting rapidly changing competitive challenges that will tax the collective wisdom of government, the private sector and labour for generations to come.

We have both been struck close to home by the harsh realities of unemployment and the social waste that brings. We are both confronted with the possibility that significant proportions of our youth may never see gainful employment unless we collectively meet the challenges that adjustment brings. And it is in this sense that economic renewal is not only a compelling objective shared by our two governments but a civic responsibility as well.

It is increasingly clear that no country can afford to insulate itself from the world around it, and the United States and Canada are no exceptions. Inevitably, as the pace of change accelerates, protectionist forces emerge, particularly from the weaker industrial sectors. But protectionist trade policies are costly. They restrain the industries of the future and they reward inefficient industries and producers who in turn pass along higher prices to consumers.

Hiding behind trade barriers will weaken our ability to offer competitively priced goods and services both at home and abroad. It will reduce the ability of Canadian and US exports to penetrate overseas markets. As President Reagan has said, "protectionism is destructionism".

Take steel. It's as basic a product as can be imagined. All the metallurgical coal used in Canadian furnaces in Hamilton or Sault St. Marie comes from south of the border, dug from the pits of Pennsylvania. A good portion of our iron ore, the other basic ingredient, comes from the mines of Duluth. Every time we produce a sheet of rolled steel it has a 20 per cent US content. If these exports are curtailed it is not just the Canadian steelworker whose job is lost, but the jobs of your friends or relatives in Scranton or Harrisburg.

What we should be looking at in our two economies is the creation of more and better quality jobs, with greater specialization and increased flexibility for both producers and workers. Just as increased protectionism would make us poorer, trade liberalization with secure and enhanced access to each other's markets will enable us to save jobs now and create new jobs in the future.

I firmly believe that Canada and the United States share common objectives in these bilateral and

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multilateral negotiations. Our common weal is the pursuit of increased economic prosperity. Because we desire economic growth, we seek the removal of obstacles to such growth. We share the desire for a better and more predictable climate for investment and we both want increased employment.

Canada like the United States is committed to working through multilateral organizations like the GATT to keep the world trading system open. It is in the interest of all nations that we no longer delay the beginning of the next round of the GATT negotiations. We see bilateral and multilateral negotiations as mutually supporting.

What we, as a government, will be seeking through bilateral and multilateral negotiations has been clear for some time: we want a better, more predictable and more secure trading relationship with our major trading partner so that Canadians and Americans alike can plan, invest and grow with confidence, the kind of confidence that leads to more and better jobs.

No one should expect that negotiations between the two largest trading partners in the world will be anything but complex and tough. We expect the United States to field a hard and experienced negotiator as we have done. The round will be long. Obstacles will have to be overcome. We know where we are going and with hard work and mutual trust, we will succeed.

Fifty years ago, at a time when the worst ravages of depression were laying wreck to Canada's economy, our two nations began the long climb back to health when they agreed to place the trade relations of our two countries on a basis of mutual understanding for the first time since Canadian Confederation in 1867. Both sides recognized and I quote from the joint statement of President Roosevelt and Prime Minister King, "that an increase in trade would be beneficially felt in all activities, because trade is but another word for increased employment, transportation and consumption".

As we go forward let us recall this spirit. The Canada-US trade agreement of November 1935 opened a new chapter in our national trade relationship. It contained risks, but it also gave those without jobs in our countries hope and new opportunities.

A half century later it is time for us to move forward once again and re-lay the foundation for economic prosperity. Canadians are ready for the challenge. But we need your help and participation.

This is a bold and challenging initiative for Canada, one which holds great promise for both countries. We have stated our intention clearly. We have appointed an experienced negotiator. We are ready to take up the challenge. We have been heartened by your President's initial response. We look forward to meeting you at the negotiating table early in the new year.

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