



Minister for
International Trade

Ministre du
Commerce extérieur

STATEMENT DISCOURS

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Address by John McDermid,
Parliamentary Secretary to
The Honourable Pat Carney,
Minister for International Trade,
at the Brookings Institute,
Washington, on February 3, 1987

OTTAWA,
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Canada

I AM PLEASED TO BE WITH YOU ONE WEEK AFTER THE PRESIDENT RENEWED IN STRONG TERMS HIS ADMINISTRATION'S COMMITMENT TO A NEW TRADE AGREEMENT WITH CANADA. IN HIS WORDS, "WE WILL WORK TO COMPLETE AN HISTORIC FREE TRADE AGREEMENT BETWEEN THE WORLD'S TWO LARGEST TRADING PARTNERS."

TO MY AMERICAN FRIENDS, LET ME SAY THAT WE NEEDED TO HEAR THAT. BUT WORDS ARE NOT ENOUGH. WE NEED TO BE SURE THAT THE NEGOTIATORS ALSO ARE FULLY ENGAGED IN TRANSLATING THIS POLITICAL COMMITMENT INTO A MUTUALLY ACCEPTABLE AGREEMENT.

MY PRIME MINISTER AND THE PRESIDENT EMBARKED ON THESE NEGOTIATIONS MORE THAN A YEAR AGO. THE PACE TO DATE HAS BEEN SLOW. WE NEED TO GET ON WITH IT.

CANADA AND THE US HAVE THE BIGGEST TRADE RELATIONSHIP IN THE WORLD. WE ARE NOT ONLY THE LARGEST EXPORT MARKET FOR THE US, WE ARE THE FASTEST GROWING EXPORT MARKET FOR US MADE-GOODS AND SERVICES. THESE FACTS ARE UNDOUBTEDLY WELL KNOWN BY THIS AUDIENCE WHETHER YOU ARE A CANADIAN OR AN AMERICAN, BUT I AM A FIRM BELIEVER IN MAKING SURE THE MESSAGE IS REPEATED TIME AND AGAIN.

WE HEAR MUCH OF AMERICA'S TRADE DEFICIT THESE DAYS AND OF UNFAIR FOREIGN COMPETITION. I WOULD REMIND YOU THAT WHILE CANADA ENJOYS A

MERCHANDISE TRADE SURPLUS WITH THE UNITED STATES, THE US ENJOYS A SURPLUS ON THE SERVICES SIDE. THE RESULT IS A FAR MORE BALANCED TRADE RELATIONSHIP THAN MOST AMERICANS REALIZE. CANADIANS ARE FAIR TRADERS AND OUR RELATIONSHIP IS JUSTLY SEEN AS THE ENVY OF THE WORLD.

OF LATE HOWEVER, THE INDISCRIMINATE AND UNFAIR USE OF YOUR TRADE REMEDY LAWS HAS THREATENED THE BALANCE OF THIS RELATIONSHIP. WE APPRECIATE AMERICA'S NEED TO BECOME COMPETITIVE. CANADIANS , TOO, ARE SEARCHING FOR NEW WAYS TO BECOME COMPETITIVE.

BUT THE ROAD TO COMPETITIVENESS IS NOT THROUGH PROTECTIONISM. PROTECTIONISM ONLY MAKES A BAD SITUATION WORSE. THE ROAD TO PROSPERITY LIES IN COOPERATIVE TRADE NEGOTIATION LIKE THE ONE OUR TWO NATIONS ARE PURSUING.

FOR THE PAST FIFTY YEARS, SUCCESSIVE CANADIAN AND AMERICAN GOVERNMENTS HAVE PURSUED TRADE POLICIES WHICH REFLECTED THE REALITIES OF THE DAY:

AMERICANS UNDERSTOOD, AS DO CANADIANS, THAT TRADE IS THE BASIS OF PROSPERITY. TRADE CREATES WEALTH, THE KIND OF WEALTH WHICH PAYS FOR MEDICARE, EDUCATION, REGIONAL DEVELOPMENT, NATIONAL DEFENCE -- THE INSTITUTIONS AND VALUES THAT DEFINE A NATION'S WAY OF LIFE.

CANADA'S SMALL POPULATION COMPELS US TO LOOK OUTWARD. UNLIKE NATIONS WITH A LARGE DOMESTIC MARKET, OUR INDUSTRIES REQUIRE OPEN AND SECURE ACCESS TO FOREIGN MARKETS TO ACHIEVE COMPETITIVE SCALE AND VOLUME.

PART OF THE CANADIAN STRATEGY LIES IN THE GATT. LIKE YOU, WE ARE DETERMINED TO PLAY A

CONSTRUCTIVE ROLE IN USING THESE NEGOTIATIONS TO PREVENT A RETURN TO THE DESTRUCTIVE BEGGAR-THY-NEIGHBOUR POLICIES OF THE 1930'S.

I NEED NOT REMIND THIS AUDIENCE THAT THE THREAT OF A RETURN TO SUCH POLICIES IS REAL -- ALL AROUND US WE ARE WITNESSING THE REBIRTH OF MERCANTILISM AND HEAR THE DRUMBEAT OF PROTECTIONISM.

BUT IN TODAY'S CIRCUMSTANCES, GATT IS NOT ENOUGH. NOT FOR CANADA AND NOT FOR THE UNITED STATES. GATT HAS CHANGED OVER THE YEARS. THERE ARE NOW MANY MORE PLAYERS. MOST OF THEM ALREADY HAVE FREE-TRADE ARRANGEMENTS WITH THEIR NEIGHBOURS. CANADA DOESN'T. NEITHER DOES THE UNITED STATES.

THE PACE AT GATT IS SLOWER. THE ISSUES MORE COMPLEX. THE RESULTS OF NEGOTIATIONS LESS SATISFACTORY. IT WILL BE A WHILE BEFORE THE CURRENT ROUND BEARS FRUIT. EVEN THE OPTIMISTS TALK ABOUT FOUR YEARS OR MORE FOR THE URUGUAY ROUND. WE ARE BOTH WORKING HARD TO ADVANCE THE PACE, PARTICULARLY IN THE SEVERELY TROUBLED AGRICULTURAL SECTOR.

WE ARE, THEREFORE, JOINTLY PURSUING NEGOTIATIONS AIMED AT A COMPREHENSIVE BILATERAL TRADE AGREEMENT, AN AGREEMENT FULLY CONSISTENT WITH OUR OBLIGATIONS UNDER GATT.

WE ARE NEGOTIATING WITH THE UNITED STATES IN ORDER TO ACHIEVE DEEPER AND BROADER REDUCTIONS TO TRADE BARRIERS. THIS WILL CREATE A MORE OPEN AND SECURE ACCESS FOR TRADE. THIS WE CAN DO MUCH SOONER THAN IN THE MULTILATERAL FRAMEWORK OF THE GATT.

THE TWO EFFORTS ARE NOT ALTERNATIVES. RATHER, THEY MUTUALLY REINFORCE ONE ANOTHER. THE BILATERAL NEGOTIATIONS, HOWEVER, RECOGNIZE THE UNIQUENESS OF THE RELATIONSHIP BETWEEN OUR TWO COUNTRIES AND OUR REQUIREMENT AS WELL AS THE OPPORTUNITY TO ADVANCE OUR MUTUAL COMMERCIAL INTERESTS.

IN THE EARLY DAYS OF GATT, THE LEADING INDUSTRIAL POWERS NEGOTIATED AND BOUND THEMSELVES TO REDUCE THE THEN PRINCIPAL REGULATOR OF TRADE -- THE TARIFF. TARIFF REDUCTIONS WERE SO SUCCESSFUL, THAT TODAY IT IS OF MINOR SIGNIFICANCE FOR MUCH OF WHAT WE EXPORT.

WHILE TRADE MAY SEEM MORE OPEN THAN IN THE DAYS OF HIGH TARIFFS, IN REALITY IT IS MUCH LESS SECURE. NEW INVESTMENT AND GROWTH REQUIRE A STABLE AND PREDICTABLE TRADING ENVIRONMENT. LOW TARIFFS HELP, BUT THEY ARE OF LITTLE PRACTICAL VALUE IF THIS IMPROVED ACCESS CAN BE FRUSTRATED BY OTHER BARRIERS AT THE BORDER.

THE PROTECTION FORMERLY PROVIDED BY THE TARIFF HAS NOW BEEN REPLACED BY TRADE LAW REMEDIES, SUCH AS DUMPING AND COUNTERVAILING DUTIES, EMERGENCY IMPORT RESTRICTIONS AND SO-CALLED VOLUNTARY EXPORT RESTRAINTS. THEY ALLOW COUNTRIES TO EXCLUDE OR PENALIZE IMPORTS IF THEY ARE TAINTED BY CLAIMS OF UNFAIRNESS, WHETHER JUSTIFIED OR NOT.

IT IS UNDER THESE LAWS THAT AMERICAN PRODUCERS ARE SEEKING AND FINDING PROTECTION THROUGH INCREASED BARRIERS AGAINST IMPORTS. CONGRESS IS PREPARED TO EXPAND AND STRENGTHEN THE REMEDIES AVAILABLE TO THEM. AND CANADIAN EXPORTERS FIND THEMSELVES CAUGHT UP IN THIS NET.

THESE REMEDIES ERODE THE RULE OF LAW FOR WHICH GATT STANDS. THEY ARE BASED ON UNILATERAL DETERMINATIONS AS TO WHAT IS OR IS NOT AN UNFAIR IMPORT. THEY MAY FIND SANCTION IN THE LETTER OF THE LAW, BUT THEY ARE CERTAINLY CONTRARY TO THE SPIRIT OF THE GATT.

SUCH A SET OF LAWS IN THE HANDS OF A RICH AND POWERFUL NATION CAN AND IS PROVING TO BE A DANGEROUS AND PROTECTIONIST WEAPON, A WEAPON WHICH HAS ALSO BEEN TRAINED AT US. AT THE HEART OF THE NEGOTIATIONS, THEREFORE, IS THE ISSUE OF THESE TRADE REMEDY LAWS.

WE HAVE SEEN THE CAPRICIOUS USE OF THESE AMERICAN ' RULES ' IN SHAKES AND SHINGLES, FISH AND NOW LUMBER. BUT BEFORE CONGRESS STARTS THROWING UP NEW BARRIERS, ITS MEMBERS HAVE A RESPONSIBILITY TO LOOK SQUARELY AT THE CONSEQUENCES OF PROTECTIONISM AND MAKE DECISIONS THAT ARE IN THE LONG- TERM INTERESTS OF THEIR CONSTITUENTS.

THE COMBINED EFFECT OF A 35% SPECIAL TARIFF ON SHAKES AND SHINGLES AND THE COUNTERVAILING DUTY INVESTIGATION ON SOFTWOOD LUMBER BROUGHT HOME TO MANY CANADIANS THE DANGER OF THE US BECOMING ECONOMIC ISOLATIONISTS.

WE WERE ABLE TO SETTLE THE SOFTWOOD LUMBER ISSUE BY A GOVERNMENT-TO-GOVERNMENT AGREEMENT. WE AGREED TO IMPOSE AN EXPORT TAX IN RETURN FOR WITHDRAWAL OF THE COUNTERVAIL PETITION BY THE US INDUSTRY. THIS WAS FOR CANADA AN EXERCISE IN DAMAGE LIMITATION. WE DON'T LIKE IT AND A BETTER WAY HAS TO BE FOUND FOR THE FUTURE.

THIS TAX PENALIZES CANADIAN PRODUCERS AND US CONSUMERS. OUR LUMBER HELPS BUILD US HOUSES AND THIS MEANS JOBS NOT JUST FOR THE CONSTRUCTION

INDUSTRY BUT FOR WHOLESALERS, RETAILERS AND TRANSPORTATION COMPANIES. MORE IMPORTANTLY, IT MEANS HOUSING AT THE LOWEST POSSIBLE COST TO THE US CONSUMER. OUR EXPORT TAX WILL COST CANADIAN JOBS. IT WILL COST AMERICANS AS WELL.

WHAT IS THE ANSWER TO THE LARGER PROBLEM? IT IS NOT TO WRING OUR HANDS AND GNASH OUR TEETH. IT IS TO FIND A BETTER WAY TO SOLVE THESE PROBLEMS, WHETHER THEY BE IN LUMBER, OR FISH OR HOGS OR STEEL OR WHEREVER THEY ARISE.

I HAVE NO QUARREL WITH AMERICANS WHO SAY THEY CANNOT ACCEPT DUMPED OR SUBSIDIZED IMPORTS FROM CANADA. WE DON'T WANT THEM EITHER. BUT WHAT WE ALSO DO NOT WANT IS UNILATERAL DETERMINATIONS OF WHAT CONSTITUTES DUMPING AND SUBSIDIZATION. WHAT THE PRESIDENT SAID THE OTHER NIGHT IN HIS STATE OF THE UNION ADDRESS ON AMERICA APPLIES EQUALLY TO CANADA: "WE ARE WILLING TO BE TRADE PARTNERS BUT NEVER TRADE PATSIES".

A NEW BILATERAL REGIME WILL REQUIRE MAJOR ADJUSTMENTS IN CANADA, ADJUSTMENTS BUSINESS WILL NOT UNDERTAKE UNLESS THEY ARE CONVINCED THE AGREEMENT WILL LEAD TO BETTER, MORE SECURE AND PREDICTABLE ACCESS TO THE UNITED STATES MARKET. CANADA'S OBJECTIVE IS TO RESTORE PREDICTABILITY AND STABILITY TO TRADE BETWEEN US.

TO ACHIEVE THIS, CANADA WANTS A UNIQUE AND CLEAR SET OF RULES TO GOVERN THE ISSUES THAT GIVE RISE TO TRADE REMEDIES. WE WANT A SET OF RULES THAT IS CONSONANT WITH FREE AND OPEN BORDERS. WE WANT RULES THAT WILL PROVIDE A FAIR AND EQUITABLE WAY TO RESOLVE ANY DIFFERENCES BETWEEN US. WHAT WE DO NOT WANT ARE UNILATERAL DECISIONS.

YOU HAVE SOME REAL PROBLEMS. AND SO DO WE. WE SHOULD BE ABLE TO WORK OUT A BETTER WAY TO DEAL WITH THESE PROBLEMS. AT A MINIMUM WE MUST GIVE IT OUR BEST SHOT. IF THE STATUS QUO WERE WORKING SMOOTHLY, NEITHER SIDE WOULD NEED A CHANGE. IT IS NOT WORKING. THAT IS WHY WE ARE TRYING TO NEGOTIATE SOMETHING BETTER.

LET ME LEAVE NO DOUBT. MY GOVERNMENT HAS MADE IT CLEAR THAT A NEW REGIME ON TRADE REMEDY LAWS MUST BE PART OF THE AGREEMENT.

A NEW REGIME MUST REFLECT THE SPECIAL CIRCUMSTANCES WHICH WOULD EXIST IN BILATERAL TRADE AND THUS BE CONSONANT WITH OTHER COMMITMENTS IN THE AGREEMENT. IT MUST PROVIDE FOR JOINT AGREEMENT ON RULES TO DEFINE SUBSIDIZATION AND OTHER UNFAIR PRACTICES WHICH MAY DISTORT TRADE; AND JOINT DETERMINATION OF WHAT CONSTITUTES BREACHES OF THE RULES AND APPROPRIATE REMEDIES WHERE SUCH BREACHES OCCUR.

KEY TO A NEW SET OF RULES WILL BE MEANINGFUL COMMITMENTS AND DISCIPLINES ON SUBSIDY PRACTICES AND STRONG, QUICK AND BINDING DISPUTE SETTLEMENT PROCEDURES.

OVER THE PAST YEAR OUR NEGOTIATORS HAVE MET ABOUT ONCE A MONTH. THESE SESSIONS HAVE COVERED THE FULL RANGE OF ISSUES OF INTEREST TO BOTH SIDES INCLUDING GOVERNMENT PROCUREMENT, TRADE REMEDY LAWS, AGRICULTURE, TARIFFS AND NON-TARIFF BARRIERS, SERVICES, INTELLECTUAL PROPERTY, DISPUTE SETTLEMENT AND IMPLEMENTING MECHANISMS. AS I SAID EARLIER, NOW IS THE TIME FOR US TO ENGAGE MORE FULLY AND TO STEP UP THE PACE. WE HAVE TO DO THIS IS WE ARE TO MEET THE DEADLINE ENFORCED BY THE US FAST TRACK PROCEDURES.

WHILE THE NEGOTIATIONS ARE IN PROGRESS, WE STILL HAVE TO MANAGE THE SPECIFIC "IRRITANTS" -- THE POLITE WORD OUR FOREIGN MINISTRIES USE TO DESCRIBE PROBLEMS. THEY HAVE PROVIDED A GOOD ILLUSTRATION OF THE NEED TO REACH THE NEW UNDERSTANDINGS BETWEEN US ON THE RULES OF THE ROAD.

BUT LET US NOT FOOL OURSELVES. THESE IRRITANTS ARE NOT LIKE AN ITCH THAT NEEDS TO BE SCRATCHED. DEALING WITH THEM, INFLUENCES HOW WE ARE GOING TO DO BUSINESS TOGETHER IN THE FUTURE AND THE ENVIRONMENT IN WHICH WE ARE TRYING TO NEGOTIATE AN HISTORIC AGREEMENT.

LOOK AT STEEL FOR A MOMENT. LAST YEAR AMERICAN STEELMAKERS SUFFERED A RECORD \$4 BILLION LOSS. OVER THE PAST FIVE YEARS STEEL MILLS IN YOUR COUNTRY HAVE SHUT DOWN AND EMPLOYMENT IN THE INDUSTRY IS GREATLY REDUCED.

WE IN CANADA HAVE HAD SIMILAR PROBLEMS. BUT OUR INDUSTRY RATIONALIZED AT GREAT EXPENSE BECAUSE IT KNEW THAT IF IT WAS TO COMPETE IT COULDN'T COUNT ON GOVERNMENT SUBSIDY AND BAILOUTS TO KEEP IT HEALTHY. THE BIGGEST EXPORT MARKET FOR CANADIAN STEEL IS THE US. NOW WE FIND OURSELVES UNDER INCREASING PRESSURE TO AGREE TO SO CALLED "VOLUNTARY EXPORT RESTRAINT" EVEN THOUGH WE ARE FAIR TRADERS AND OUR STEEL IS BEING SUCKED INTO THE US MARKET THROUGH THE INABILITY OF US INDUSTRY TO MEET DEMAND.

WE BOTH BENEFIT FROM TRADE IN STEEL. ONE THIRD OF US STEEL EXPORTS GO TO CANADA, THE LARGEST FOREIGN MARKET IN THE WORLD FOR US STEEL. CANADIAN STEEL MILLS BUY OVER 95% OF THEIR COKING COAL AND ONE THIRD OF THEIR IRON ORE FROM US MINES.

AND THAT IS REAL JOBS WE ARE TALKING ABOUT FOR COALMINERS IN PENNSYLVANIA AND IRON WORKERS IN MICHIGAN.

THIS STEEL GOES INTO CARS, INDUSTRIAL FARM MACHINERY MADE AND USED ON BOTH SIDES OF THE BORDER. ANY DISRUPTION IN OUR STEEL TRADE WILL ONLY HURT BOTH OF US.

YOU WILL APPRECIATE THAT THE MANNER IN WHICH IRRITANTS -- BIG OR SMALL -- ARE HANDLED CAN AND DO AFFECT THE CLIMATE AS WELL AS THE POLITICAL WILL SO VITAL TO A SUCCESSFUL NEGOTIATION. I THINK THE AMERICANS IN THIS AUDIENCE ARE NOT UNFAMILIAR WITH THE FALLOUT IN CANADA OVER SHAKES AND SHINGLES AND SOFTWOOD LUMBER. IF YOU ARE, JUST ASK ANY OF THE CANADIANS HERE TODAY. SUCH ACTIONS HAVE A HEAVY TOLL ON PUBLIC AND POLITICAL CONFIDENCE.

CLEARLY THE TIMETABLE WE ARE WORKING ON IS BEING SET BY THE POLITICAL CALENDARS OF BOTH GOVERNMENTS. THE OUTCOME OF THESE TALKS WILL DEPEND HEAVILY ON THE COMMITMENT OF THE US ADMINISTRATION TO THE NEGOTIATIONS AND THE RESOLVE OF THE ADMINISTRATION TO CARRY A DEAL THROUGH CONGRESS. WE ARE MINDFUL OF LAST APRIL'S "SURPRISE" WHEN FOR A DOZEN DAYS THE US SENATE PONDERED ITS AGREEMENT TO THE ADMINISTRATION'S REQUEST FOR THE FAST-TRACK AUTHORITY .

WE ALSO RECOGNIZE, HOWEVER, THAT A DEAL WHICH DOES NOT CARRY THE BROAD SUPPORT OF AMERICANS, REGARDLESS OF PARTY, STANDS LITTLE CHANCE OF ENDURING SUPPORT IN WASHINGTON. WE WERE ENCOURAGED BY THE WORDS OF SENATORS BENTSEN, CHAFFEE, MATSUNAGA AND BAUCUS WHEN THEY CAME TO OTTAWA LAST DECEMBER. WE HOPE THAT THE ADMINISTRATION IS KEEPING THAT SUPPORT FIRM.

SIMILARLY, WHATEVER THE CANADIAN GOVERNMENT AGREES TO HAS TO STAND THE CRITICAL TEST OF CANADIAN PUBLIC OPINION AND THE SUPPORT OF PARLIAMENT AND THE PROVINCES.

IT IS ESSENTIAL, THEREFORE, THAT WHATEVER WE CRAFT TOGETHER CLEARLY SERVES THE BEST INTERESTS OF BOTH COUNTRIES. THIS IS FULLY ATTAINABLE BECAUSE TRADE IS NOT A ZERO SUM GAME. BOTH PARTNERS WILL GAIN FROM A GOOD AND FAIR AGREEMENT.