



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,
to the Detroit Rotary Club
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Canada

It gives me great pleasure to be here in Detroit to address you today on our progress in reaching what President Reagan has termed "an historic free trade agreement between the world's two largest trading partners."

Since last summer, Canadian and American negotiating teams have been engaged in this major joint effort to "secure, enhance and enshrine" the unique nature of our extensive bilateral trade partnership. It is the job of these two teams to translate the political commitment of the President of the United States and the Prime Minister of Canada into a mutually acceptable agreement. These negotiations have been making steady progress and are on course.

Canada and the United States are each other's largest trading partners by far. The United States exports twice as much to Canada as it does to Japan, your next biggest customer. (The province of Ontario alone imports more U.S. goods than Japan). Over 70 per cent of all that Canada buys abroad comes from the United States.

The market on both sides of the border is of vital importance in terms of jobs. According to U.S. figures, about 2 million American jobs depend on exports to Canada. About the same number in Canada are dependent on our exports to the U.S., but their importance as a proportion of the labour force is much greater.

I am sure that everyone here today appreciates the fact that Canada enjoys a considerable volume of trade with Michigan. Last year, you sold \$11.4 billion (Cdn) worth of products to Canadians. In return, Michigan purchased \$24.3 billion (Cdn) worth of products from Canada. In fact, Canadian trade with Michigan is second only to Canada's trade with the entire U.S.

The Detroit/Windsor border point is undoubtedly a very busy one. I would like to applaud these two cities for their annual freedom festival to be held in the coming weeks. This event is an excellent example of days of peace and friendship, a celebration of the warm relations between our two countries.

Canada has never done as much business with the United States as it does today. But the trade environment is changing, and we must take action to retain and expand our access to your market.

Canada's basic objective in these trade negotiations is to secure for our producers, manufacturers and workers open and guaranteed access to a market many times larger than our own.

It should not be forgotten that Canada is the largest export market for the U.S. This fact may be well known to the people of Detroit, but I think the message is so important that it bears repeating time and again.

In Canada, we hear much about the record trade deficit in the U.S. Some Americans believe that the unilateral application of U.S. trade remedy laws is the answer to this problem. We believe a unilateral solution would be neither wise nor effective.

Of late we have seen the indiscriminate and unfair use of your trade remedy laws, which is threatening the balance of our bilateral trade relationship. We appreciate America's need to become competitive. We, 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 nations are pursuing.

For the past 50 years, successive Canadian and American governments have pursued trade policies which reflected the realities of the day.

You have always understood, as have we, that exports are the basis of prosperity. Trade creates wealth, the kind of wealth which pays for medicare, education, regional development, national defence -- some of 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.

In order to achieve secure and open access to these markets, Canada is pursuing a "two-track" trade strategy. One 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 1930s.

However, the pace at GATT is slower than the pace of the Canada-U.S. talks, and the issues are more complex. The results of the GATT negotiations will be less satisfactory in the short run.

Canada and the U.S. are, therefore, jointly pursuing negotiations aimed at a comprehensive bilateral trade agreement, an agreement fully consistent with our obligations under 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.

In the early days of GATT, the leading industrial powers negotiated and bound themselves to reduce the then principal regulator of trade -- the tariff. 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 remedy laws, such as those providing for anti-dumping and countervailing duties and so-called voluntary export restraints. They allow countries to exclude or penalize imports if the importing country perceives them to be unfair.

It is under these laws that some American producers are seeking relief. Congress seems prepared to expand and strengthen the remedies available to them. And Canadian exporters are feeling the effect of these actions.

Since 1980 at least 20 anti-dumping investigations, 11 countervailing duty cases and 13 safeguard actions were brought against Canadian exporters to the U.S. market.

What is the answer to this rise in protectionist actions? It is not to wring our hands and gnash our teeth. It is to find a better way to solve our trade disagreements, whether in lumber, fish, hogs, steel or whatever.

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 consistent with free and open borders. We want rules that will provide a fair and equitable way to resolve any differences between us. I repeat, what we do not want are unilateral decisions.

The Auto Pact

Fortunately, as long established trade partners and friends, Canadians and Americans have seen what can be accomplished when we both agree on a unique and clear set of rules on bilateral trade. I refer to the Canada-U.S. Auto Pact. Our system for trade in auto products may not be perfect -- people on both sides of the border have argued that from time to time -- but the Auto Pact does give us some indication of how liberalized trade can benefit the North American economy as a whole.

The automotive trade balance may have swung back and forth, but for over 20 years the pact has provided a free trade framework for increased automotive trade between our two countries. Trade flow is enormous. In 1986, Canada's exports of automotive products to the United States amounted to \$34 billion. Imports totalled \$28 billion. That's over \$60 billion in automotive trade.

But large numbers are sometimes hard to grasp, so let's look at it another way. Roughly 90 per cent of automobile production in Canada is shipped to the United States, as are 80 per cent of the parts. Or, in 1985, only 9 per cent of the cars sold in Canada were made in Canada -- 61 per cent came from the U.S., 30 per cent from elsewhere in the world. The numbers for trucks are less dramatic (49 per cent produced in Canada, 30 per cent in the U.S., 12 per cent elsewhere).

These figures confirm the success of the Auto Pact in permitting the evolution of a rationalized, integrated industry within North America. There's even a rough symmetry which I find interesting -- the United States market is 10 times larger than ours, and consumes 10 times as many Canadian-made cars as we do in Canada.

The government's position with regard to automotive trade in the negotiations with the U.S. is quite clear, consistent, and, I think, reasonable. The government has said repeatedly that the Auto Pact has been working well,

and that Canada would not be raising it at the table during the talks -- "if it ain't broke, don't fix it".

The Auto Pact has not been raised by the U.S. side either, although Ambassador Murphy has indicated that he has not decided whether he will wish to include the Auto Pact at some future date.

In the meantime, we have undertaken a joint "fact-finding" exercise with the U.S. side on automotive issues. This was in no sense a negotiation, but an exchange of information on the situation and trends in the automotive industry. A substantial and increasing portion of North American automotive trade takes place outside the Auto Pact, so we will have to consider things like imports from third countries, duty remission programs and foreign trade zones, subsidies, potential overcapacity -- all of the automotive trade issues which would have to be dealt with in a comprehensive trade agreement -- regardless of whether or not the U.S. wishes to raise the question of the trade currently conducted under the Auto Pact.

It is certainly not up to me to pre-judge what the U.S. position should be on this matter. But I do want to strongly endorse the approach taken by Ambassador Reisman, Canada's Chief Negotiator, in response to a question from the press, and I quote:

"If there are ideas that would be constructive and helpful from a Canadian point of view that would give us more production, more employment, more certainty of the continuity and a solid basis for that trade, I am not so stubborn that I wouldn't look at them, but the only framework in which I would look at them is in a positive, constructive framework of moving forward, not looking back."

Conclusion:

As I have mentioned earlier, Canada's first and foremost objective in our bilateral trade negotiations is a unique regime to govern the use of trade remedy law, be it anti-dumping or countervail. We are not seeking an exemption from U.S. trade laws nor permission to dump or subsidize our exports. We simply want a new and better way of doing business, better and more predictable rules of the road for trade between us.

From the start, the Government of Canada has recognized that these negotiations - like all negotiations - require considerable give and take on both sides. We also recognize that the United States has legitimate objectives in these negotiations with regard to the issues of investment and services. That is why these negotiations have covered the full range of issues of interest to both including government procurement, trade remedy laws, agriculture, tariffs and non-tariff barriers, services, intellectual property, dispute settlement and implementing mechanisms.

While the negotiations are in progress, we still have to manage specific irritants. 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. How we deal with them influences how we are going to do business together in the future. You will appreciate that the manner in which these irritants -- big or small -- is handled can and will affect the climate as well as the political will so vital to a successful negotiation.

Clearly the timetable we are working on is being set by the political life-span of both governments. The outcome of these talks will depend heavily on the commitment of the U.S. Administration to the negotiations and the resolve of the Administration to carry a deal through Congress.

Similarly, whatever the Canadian government agrees to, has to stand the critical test of Canadian public opinion and the support of Parliament and our provinces. It is essential, therefore, that what agreement we craft together be in the best interests of both countries.

Thank you