

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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NOTES FOR AN ADDRESS BY

THE HONOURABLE MICHAEL WILSON,

MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND

MINISTER FOR INTERNATIONAL TRADE,

TO THE

AMERICAS SOCIETY LUNCHEON

OTTAWA, Ontario
June 18, 1993

Good afternoon:

It is a pleasure to welcome you to Ottawa. I also welcome this opportunity to share with you Canada's perspective on the North American Free Trade Agreement (NAFTA), as well as what it means to trade within this hemisphere.

Your visit is timely because Canada's Parliament is in the final stages of passing Canada's NAFTA implementing bill. The NAFTA will link Canada, the United States and Mexico into the largest trading area in the world. The NAFTA is a key part of the solid foundation for trade and investment in Canada that the Mulroney government has been building for close to a decade.

The NAFTA supports Canada's strong commitment to expanding trade relations in this hemisphere and our goal of building new partnerships with our neighbours in the Americas. Trade is essential to Canada's prosperity. More than a quarter of our economy and one third of our jobs are dependent on exports. Increasingly, Canada is developing as an exporter of manufactured goods and innovative services. In telecommunications, aerospace products and transportation, Canada is a world leader.

Through trade liberalization, we both preserve and create jobs, and enhance the prospects for Canadian companies to compete successfully worldwide. This is the proven strategy for growth and improvements in Canada's standard of living.

During the past decade, trade liberalization has helped Canada achieve an annual growth of 7 percent in international trade -- faster than the rate at which world trade has grown and in spite of a downturn in the world economy. In March of this year, the Canadian economy enjoyed its best monthly performance in two years. Canada's gross domestic product jumped by 0.7 percent, the largest monthly gain since April 1991. A few weeks ago, the Organization for Economic Co-operation and Development (OECD), predicted that Canada's economy will grow faster than any other major industrial country this year or next. As well, Canada is expected to lead the OECD for employment growth during this period. Clearly, Canada is on the right track.

Our economy is becoming stronger because of solid export performance in the manufacturing sector, particularly Canadian autos and high-tech equipment bound for U.S. markets. Some of this economic growth can be attributed to the Canada-United States Free Trade Agreement (FTA). Canadian exporters are more productive and competitive than they were before the FTA came into effect four years ago.

Canada's positive experience with the FTA helped us decide whether to enter into the NAFTA negotiations with the United States and Mexico in 1991. We could have stood back and let those countries sign a deal by themselves.

Such an agreement would have given a tremendous advantage to the United States by making it the only country with barrier-free access to all of North America. We couldn't let that happen. We had to be at the table.

Canada entered the NAFTA negotiations with three objectives. First, we wanted to improve upon the FTA while maintaining the benefits already achieved. Second, we wanted better access to the Mexican market. And third, we wanted to preserve Canada as a preferred location for investment. Today, two years later, I am proud to say that Canada achieved these objectives.

The NAFTA is a comprehensive agreement that improves and broadens the FTA to cover such areas as intellectual property protection and land transportation. The Agreement clarifies the rules of origin for products made in North America and improves customs operations. It also strengthens the FTA's dispute-settlement mechanism.

Under the NAFTA, Mexican tariffs, licensing requirements and other barriers will be eliminated. Canada will be able to rebalance its trade with Mexico, especially in the automotive sector. These improvements give Canadian businesses new opportunities in North American markets and place them on an equal footing with their American and Mexican competitors.

Investors now have more reasons than ever to set up operations in Canada. With secure, guaranteed access to the world's largest trading arrangement of 360 million consumers, investors can focus on the other advantages Canada offers, such as a highly skilled and highly educated work force.

But first the NAFTA must be ratified by Canada, the United States and Mexico. All three governments have pledged to implement the Agreement on January 1, 1994, and all three leaders have made it clear that the agreement to negotiate side agreements on the environment and labour does not entail reopening the NAFTA itself. Yet some critics have accused the Canadian government of moving too fast on the NAFTA legislation.

This is nonsense. The deal was signed last December and will go into effect next January. With an election coming in the fall, it is only prudent that Canada's Parliament should deal with the bill before the summer recess. Section 242 of the Canadian bill stipulates that the provisions of Canada's NAFTA law will not take effect unless and until the United States and Mexico have taken their own implementing actions.

Furthermore, it is important that our exporters be able to make plans with the full confidence that Canada will live up to its commitment.

I would urge the United States and Mexico to maintain the momentum for free trade and to support quick passage of the NAFTA legislation in their countries.

For the next few minutes I would like to address my comments specifically to the Americans in attendance today. Some of you may be worried that many of the benefits of the NAFTA will flow south from the United States into Mexico. Believe me, that argument is nothing new to Canadians. Several years ago, when we negotiated the FTA, there were many Canadians who predicted that all the growth in trade and jobs would flow from Canada into the United States and that Canada was finished as a country. Well, they were wrong.

Canada's merchandise exports to the United States since 1988 are up 19 percent. The Canadian merchandise-trade surplus with the United States rose 27.3 percent last year over the previous year, reaching \$17.7 billion in 1992. Canada's social and medical services remain intact. Canadian culture is alive and well. We have an effective mechanism to settle the trade disputes that are bound to arise from time to time in the world's largest two-way trading relationship, a relationship worth \$287 billion in 1992. But if the FTA has worked for Canada, it has not been at the expense of the United States. U.S. merchandise exports to Canada are up 18 percent since 1988, and the United States continues to enjoy a current account surplus with Canada.

Simply put, free trade expands trade. The FTA has been a win-win situation for both countries.

The NAFTA opponents, like the FTA critics before them, argue from a false premise: they think that removing walls that protect and segregate markets will harm workers, while leaving walls up will safeguard workers. The new reality is that competition is unavoidable in North America. The NAFTA creates a framework of fair rules for competition. It promises a more gradual adjustment and greater stability than we would have otherwise.

I can assure you that the Government of Canada is, more than ever, convinced that the decision we made to enter into the FTA in 1989 was the right one. We believe that the NAFTA will build on the success of the FTA as well as widen its scope to include Mexico's fast growing economy.

Although the NAFTA is already the "greenest" trade agreement ever negotiated, we have before us the prospect of concluding side agreements that would result in unprecedented co-operation in environment and labour issues in North America.

Canada, in fact, played a leading role in negotiating strong environmental provisions in the NAFTA. We also advocated establishing a trilateral forum to explore labour issues.

In the current negotiations, we support a wide-ranging role for a North American Commission on the Environment, including the upward harmonization of national environmental standards. We want to promote sustainable development and stronger environmental co-operation among the NAFTA partners. And we favour increased co-operation on the development and enforcement of domestic environmental regulations.

However, Canada firmly believes that these negotiations must not jeopardize, in any way, the benefits to be gained from creating an integrated North American market.

The Government of the United States has proposed the imposition of trade sanctions in the event of violations of labour and environmental laws in any of the NAFTA signatory countries. Canada is fundamentally opposed to this use of trade sanctions. Trade sanctions create barriers to trade that the NAFTA was designed to eliminate. We did not negotiate the removal of trade barriers only to reintroduce them the next day. As Prime Minister Mulroney told a U.S. television interviewer recently, trade sanctions are contrary to the philosophy of free trade and would undermine the confidence that the NAFTA was intended to create. Canadians are not the only ones to view this proposal with alarm. Recently, seven major American industry associations, including the U.S. Chamber of Commerce, sent a letter of protest to U.S. Trade Representative Mickey Kantor. In it they said, "Any use of trade sanctions for non-enforcement of environmental or labour standards is unnecessary and would be counter-productive."

Canada remains confident that an effective agreement can be designed that would foster co-operation, not confrontation, as the three partners develop, improve and enforce their environmental and labour laws and regulations.

These side agreements could affect more than just Canada, the United States and Mexico. Once the Agreement comes into force, applications for membership from other countries are anticipated. It is the intent of Canada that any country joining the NAFTA would also have to abide by the provisions of the side agreements. Once negotiated, these side agreements will have a lasting effect. We must get them right.

Even before the NAFTA is implemented, other countries, such as Chile, recognize the potential benefits of the Agreement and are eager to take part. The NAFTA is not an exclusive club. Nor is it intended to raise barriers against other nations. I can tell you today that Canada would view an application from Chile with favour.

Chile has already demonstrated its commitment to open markets and freer trade by liberalizing its trade and investment environment and by entering into free trade agreements with Mexico and Venezuela. Other countries too are making significant economic and political reforms. As a result, they are becoming increasingly attractive for investment, joint ventures, technology transfer and other commercial activities.

To our Latin American friends here today, let me say that, in Canada's view, we do not have to wait for the NAFTA to further strengthen our trade and investment links with the economies of Latin America.

In fact, Canadian companies began to explore bilateral trade opportunities with Mexico long before the NAFTA negotiations were completed. In January 1992, I attended Canada Expo '92 in Monterrey, where more than 200 Canadian exhibitors attracted some \$70 million in prospective business and identified potential joint ventures worth an estimated \$20 million. Earlier this year, I had the pleasure of opening a Canadian trade office in Monterrey to cope with the growing business interest.

During my visits to Venezuela, Chile and Argentina in recent months, I have seen first-hand the tremendous potential for closer and better commercial partnerships.

In Caracas, in January, I had the honour of opening Canada Expo '93, the largest Canadian trade event ever held in South America.

Representatives of more than 50 top Canadian firms accompanied me to Chile and Argentina in April. Companies in Chile and Canada are now involved in more than 30 joint ventures covering a broad spectrum of economic activity. Canadian investment in Argentina is rising, particularly in the petroleum sector, where Canada is providing expertise in natural gas distribution systems and pipeline management.

Our countries have only begun to tap the great potential that exists for expanded trade and economic co-operation. I believe it is in all our interests to work together for greater prosperity throughout the Americas. The NAFTA is an important part of that quest. Thank you for your attention. Now I welcome your questions.