

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

93/40

CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE,
THIRD READING DEBATE ON
BILL C-115 (THE NAFTA IMPLEMENTATION ACT)

OTTAWA, Ontario
May 27, 1993

The NAFTA is about the future

Mr. Speaker: the North American Free Trade Agreement (NAFTA) is about Canada's future. The NAFTA is a comprehensive agreement that builds on and improves the benefits of the Canada-United States Free Trade Agreement (FTA). The NAFTA improves our access to the United States and gives us unprecedented access to Mexico's fast-growing market.

This Agreement is about growth and prosperity. Opponents of trade liberalization often suggest that the benefits for one country come at the expense of another. But expanded trade and investment benefits all those who engage in it. By specializing in what we do best, we improve our productivity and increase our wealth. Through trade liberalization, we both preserve and create jobs, and improve the prospects for Canadian companies to compete successfully worldwide. This is the proven strategy for growth and for improvements in Canadians' standard of living.

The figures speak for themselves. Canadian merchandise trade surplus with the U.S. rose 13.6 percent last year over the previous year. Our merchandise trade surplus with the U.S. reached a record \$17.7 billion in 1992. I cannot over-emphasize that exports are the engine of growth driving Canada out of the recession. A C.D. Howe Institute analysis shows that in the first three years of the FTA, Canada's exports to the U.S. were strongest in those sectors that were liberalized by the Agreement, particularly non-resource-based manufacturing.

Canada is a trading nation

Our goal as a government has been to protect today's markets and to open the markets of tomorrow. It is with this aim that we are pushing forward for an ambitious result in the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT). We achieved this through the negotiation of a Canada-United States Free Trade Agreement. And we consolidated and improved upon this achievement by negotiating the North American Free Trade Agreement. This Agreement:

- improves our access to the U.S. market;
- gives us preferential access to a growing and dynamic Mexican market; and
- ensures that Canada remains a preferred location for both foreign and domestic investors.

Canada's wealth and growth prospects depend on our access to world markets. We are a small nation in terms of population; access to outside markets underpins our economy and standard of living.

That is why we negotiated the FTA, and that is why we negotiated the NAFTA.

NAFTA—the next step in trade liberalization

The Canada-United States Free Trade Agreement laid a foundation for Canadian prosperity. At a time of rising protectionist pressures throughout the world, including the U.S., Canada is in the enviable position of having, through the FTA, preferential access to the U.S. market.

The NAFTA preserves the benefits of the FTA. It ensures Canada remains a prime investment location. It provides continued protection of key domestic areas, including cultural industries, public education, health, and social services including child care.

The NAFTA substantially expands the benefits of the FTA. After four years of experience with the FTA, we had the opportunity to make improvements and broaden the coverage in such areas as intellectual property protection and land transportation. We now have clearer rules for regulating Canada-U.S. trade, and new market access in the U.S. in areas not covered by the Canada-U.S. FTA. These improvements give Canadian businesses new opportunities in the U.S. and Mexico and place Canadian business on an even sounder footing for expanding our exports in important offshore markets.

Let me review some of the major new areas covered by the North American Free Trade Agreement.

Duty drawback, which allows Canadian exporters to be refunded for the tariff paid on inputs into products that are later exported, was to be eliminated for Canada-U.S. trade after January 1, 1994 under the Canada-U.S. FTA. The NAFTA extends this deadline by two years. More importantly, new rules give permanent duty drawback rights for exporters who do not meet the NAFTA rules of origin.

The NAFTA rules of origin improve on those of the FTA. They are clearer and more predictable—a real benefit to Canadian exporters and potential investors in Canada:

- for many products, the necessity of calculating content has simply been eliminated and replaced by the more precise tariff-shift rules;
- for most products still subject to a "content requirement," there are two possible calculations from which an exporter can choose, at least one of which is considerably simpler than the one method available under the FTA;
- regulations will be established to ensure that Canadian, U.S. and Mexican customs officials apply the rules uniformly; and

- advance rulings on the origin of goods to be traded within the NAFTA area will further minimize uncertainties for traders and investors.

The NAFTA maintains and improves upon the FTA's dispute settlement provisions. The right that Canada achieved in the FTA to take final appeals of countervail and dumping cases to a binational, impartial panel is made clearly permanent in the NAFTA. Business people who have been subjected to the U.S. trade remedies system tell me that this dispute settlement procedure is a key asset of the FTA and one envied by those who don't have it.

The NAFTA gives Canadian service sector businesses new access to the North American market. It extends to services the basic obligations of national treatment, which has long been applied to goods through the GATT and other trade agreements. A signatory country cannot require that a service firm from a NAFTA country establish or maintain a local presence as a precondition for access to its market; this means that Canadian firms can provide services to the U.S. and Mexican market from Canada.

Under its temporary entry provisions, the NAFTA opens up cross-border entry for over 60 professions. As Mexico continues to develop it will need professional consulting assistance in the areas of telecommunications, utilities, land transportation services and consulting engineering—all areas in which Canadian businesses excel.

Additional benefits are achieved in financial services. Under the NAFTA, Mexico's financial markets have been opened up to Canadian banking, insurance and security firms. This will allow Canadian financial institutions to participate in the rapidly expanding Mexican economy—a promising market that was closed to us until the negotiation of the NAFTA. In another improvement on the FTA, the NAFTA financial services obligations are covered by the Agreement's general dispute settlement procedures.

The FTA did not include provisions on land transportation. This has been rectified. Under the NAFTA a Canadian trucker can now unload in the U.S., reload there, go to Mexico and haul back cargo to the U.S. and Canada. At the same time we maintained our cabotage rights.

The investment provisions of the NAFTA are another example where FTA provisions were expanded, offering to Canadian investors a more secure footing in the North American marketplace and securing for the future their preferential access to Mexico. For additional security, disputes between an investor from a NAFTA country and another NAFTA government may be settled, at the investor's option, by international arbitration. Canada, meanwhile, maintains its right to review foreign takeovers.

Canadian businesses gain new intellectual property protection in the NAFTA, consistent with international rules developed in the Uruguay Round of multilateral trade negotiations. As the Canadian economy moves into higher value-added, knowledge-based growth areas, this protection for copyrights, patents, trademarks, and trade secrets will protect our ability to expand into the NAFTA area. This in turn will make us a more competitive and attractive place to do business and create higher paying jobs.

The government procurement provisions of the NAFTA significantly expand the coverage contained in the FTA. The NAFTA adds over \$50 billion in covered procurement to what was already open to competitive bidding under the GATT and the FTA. Canadian businesses will have the opportunity to bid on contracts from such major buyers as the U.S. Corps of Engineers and the Mexican PEMEX corporation, which together buy over \$15 billion in goods and services each year.

These NAFTA achievements represent new opportunities opened to Canadians in the United States as well as Mexico. These achievements are improvements on the significant accomplishments of the Canada-United States FTA. These achievements provide an even more solid foundation for our exports to markets beyond—in Europe, and in the Asia-Pacific region.

The new horizon

I have spoken about the improved rules in the NAFTA. We must not lose sight of the importance of the NAFTA for Canadian companies that are looking beyond the United States, toward Mexico and elsewhere. The NAFTA opens up a new and dynamic market. Many Canadian businesses are already gearing up for the new opportunities in Mexico due to the NAFTA. Let me give you some examples.

Telecommunications firms see tremendous opportunities in Mexico. There are only 10 million telephone lines in Mexico for a population of 82 million—and over \$10 billion may be spent on telephone equipment in the next five years alone.

Mexico plans to spend tens of billions of dollars, both through its private and public sectors, on developing its infrastructure in the 1990s. With our expertise in infrastructure projects in construction and in engineering, Canada is well-poised to be a key player in this market.

Services are an area of comparative advantage for Canada and one in which Mexican demand will rapidly increase in the coming years. Canadian financial service sector companies are world-class competitors, and see significant opportunities in Mexico. Mexico is strongly committed to improving its environment, and this will create a major market for the Canada's dynamic pollution abatement and environmental technology sector.

Mexico's demand for manufactured goods, including office equipment, housing market goods, and other manufactured areas, will increase as Mexico builds its economy. The automotive market in Mexico is projected to grow much more rapidly than the mature U.S. and Canadian markets, providing new export and investment opportunities for Canadian automotive companies. These opportunities were virtually closed to Canadian automotive producers before Mexico agreed in the NAFTA to eliminate its automotive decree.

This is only a very partial list. Canadians can compete in the world and we can compete in Mexico. The NAFTA gives us an advantage over all non-NAFTA countries in the growing Mexican market. It is an advantage we must seize.

The broader agenda is prosperity

Trade is not an end in itself, but a means to an end. The ultimate end is prosperity—prosperity offered by an efficient economy that generates the wealth necessary for Canadians to pay for the social programs they demand and expect, to spend on public education, to create higher-paying jobs; in other words, to underwrite continued future improvements in our standard of living and quality of life.

We are currently negotiating side deals on the environment and labour. Canada pressed for strong improvements in these areas during the original negotiations, and we are fully committed to working with our NAFTA partners to promote the highest possible level of co-operation in these important areas. We do, however, have to get these agreements right. They have to work, and for that reason the Canadian position will continue to oppose the use of trade sanctions to enforce compliance; we will insist instead on mechanisms that promote co-operation and certainty, not confrontation and uncertainty.

Some honourable members opposite pretend that the government is losing its negotiating leverage by proceeding with Bill C-115 before the side agreements have concluded. The fact is that Bill C-115 is not relevant to the achievement of Canada's objectives in the side agreements. The NAFTA is a good deal for Canada with or without the side agreements. We are working hard for good agreements on environment and labour co-operation, but the value of the NAFTA to Canada is not conditional upon the conclusion of these additional agreements. All that delaying our implementing legislation would accomplish, perversely, would be to deprive Canadian businesses and their workers of the certainty needed to finalize plans for taking advantage of the many opportunities opened by the NAFTA.

Let us focus on the facts, not on fears

We are also not prepared to see Canadians misled by misrepresentations about the NAFTA. We will expose the myths.

- The NAFTA does not give the U.S. or Mexico any right to exploit our water. Claims to the contrary are absurd puffery. Canada's 1987 federal water policy act explicitly prohibits large-scale exports of water by interbasin transfer or diversion, and nothing in the NAFTA or any other trade agreement forces Canada to exploit our water resources or to export our water. Until water enters commerce as a good, it is not covered by the NAFTA or any other trade agreement. The bottom line is that Canadian governments, both now and under the NAFTA, have the freedom of action to regulate the exploitation of our water resources. Period.
- The NAFTA does not threaten Canadian jobs. Low productivity, recession-battered markets, protectionist trade barriers, inflation-driven prices, volatile exchange rates, inward-looking business plans—all these threaten Canadian jobs. The NAFTA does not create competition. Canada is already competing against low-wage countries and high-wage countries throughout the world, and their markets are our hope for the future.

Conclusion

In 1948, C.D. Howe said the following:

The times in which we are living call for initiative and resourcefulness We must be constantly alive to the changes taking place in the world and quick to seize every opportunity that will build up our economy It cannot be done overnight but I am confident that, with the co-operation of industry, of government and of [other] organizations ... we can build toward a better Canada and a better world.

Canada can and must compete. Canadians can and must win in world markets. Canada must pursue a vigorous, outward-looking trade strategy to maintain and enhance the prosperity and social benefits our citizens enjoy. Mr. Speaker, if the great nation-builders of Canadian history taught us any lesson, it was to make farsighted choices for the benefit of future generations. Our future generations deserve no less from this House.