

Statement

Secretary of
State for
External Affairs



Déclaration

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE PERRIN BEATTY,
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
TO THE
CANADA-U.S. BUSINESS ASSOCIATION**

**TORONTO, Ontario
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Affaires extérieures et
Commerce extérieur Canada

External Affairs and
International Trade Canada

Canada

I want to spend most of my time today talking about trade and about breaking down the barriers that impede our business community. However, let me start with some more general comments about three very positive recent developments in the relationship between our two countries.

The first is the appointment of James Blanchard as Ambassador to Canada. He is an impressive choice. By naming such a high profile and well-qualified Ambassador, President Clinton has highlighted the importance he places on the Canada-U.S. relationship.

The second development grew out of Prime Minister Campbell's meeting with the President at the recent G-7 [group of seven leading industrialized countries] Summit in Tokyo, which I was privileged to attend. The Prime Minister asked that the President designate senior White House officials to oversee our bilateral relationship, particularly on trade and economic matters. We are very pleased by how quickly and fully he has responded.

Finally, I was impressed as well when President Clinton demonstrated that he understood what Prime Minister Campbell meant when she explained why we are determined to protect and support Canada's culture.

We are each other's best friend and best customer. We often face shared challenges, whether in protecting the common environment or promoting peace and freedom around the world. We will continue to be resolute allies and partners.

But we are also separate countries with our own histories and our own priorities for the future. Whether it's in diplomacy or in the arts or in business, Canada's voice is strongest when it is a truly Canadian voice that expresses our history, our traditions, our values, and our dreams. It must be so much more than simply an echo of someone else. Simply put, Canadian cultural products are for sale, but Canada's culture is not.

People who are secure in their identities don't feel threatened about working closely with others. They know that strong and healthy partnerships benefit both partners.

There is nothing flashy or extraordinary about our good relations with our neighbours to the south. It is not the stuff of legend or history. But it is good news for people like you, because it means you can go about your business in a stable, predictable and open environment.

At a time when the international economy is struggling to get all cylinders going, that's good news for people on both sides of the border.

Our interest in building a strong relationship with the United States has not made us one-dimensional. In fact, it has been a factor in spurring us on to build bridges to every other region in the world.

It is no coincidence that Canada has been a leading member of the United Nations, the General Agreement on Tariffs and Trade, the Commonwealth, La Francophonie, and the G-7, as well as the OAS [Organization of American States].

Arthur Meighen, a former Canadian Prime Minister, once described Canada-U.S. relations in the following way:

We are not in the same boat, but we are pretty much in the same waters.

What are those waters?

They are the ebb and flow of over \$260 billion worth of goods and services across our borders every year -- the largest bilateral trading relationship in the world.

They are the ebb and flow between our countries of millions of business people, academics, entertainers, scientists, and artists of all kinds every year.

They are the ebb and flow, on a massive scale, of information and technology between institutions, businesses, schools, hospitals and individuals.

They are the ebb and flow of billions of dollars worth of investment and technology to build plants, launch joint ventures, develop infrastructures, support research and promote greater economic activity.

And, there is the ebb and flow of the global waters through which both our countries must navigate -- shared challenges such as peace and security, environmental degradation, mass migrations of people, the proliferation of weapons of mass destruction, the resurgence of destructive forms of nationalism and inter-ethnic rivalries.

These issues and more demand not only careful attention, but constant and effective management.

No two countries in the world have a greater stake in each other's well-being than Canada and the United States. For our businesses, it means trade; for our people, it means jobs.

Happily, no two countries have done a better job of managing their relationship.

In more than any other area, the relationship has thrived in trade. This didn't just start last year with the NAFTA [North American Free Trade Agreement], or five years ago with the Canada-U.S. Free Trade Agreement [FTA].

For example, in the midst of worldwide depression in 1935, Canada and the United States negotiated an unprecedented bilateral trade agreement to lower tariff barriers on a wide range of products, an agreement that was expanded in 1938. While other nations were still putting up barriers, we were working to find ways to bring them down.

The same spirit lived on to inspire more recent accomplishments, such as the Auto Pact in 1965, and the Canada-U.S. Free Trade Agreement in 1988.

If you'll allow me to offer a personal opinion, I am always disappointed with politicians who talk about all the job losses they say were caused by the Free Trade Agreement. This sort of unbelievable claim isn't just sad because it's untrue. It is sad because it makes light of the real forces that have caused suffering to so many people.

The recession caused tremendous pain in both Canada and the United States, as it has in each of the western industrialized countries. There are few tragedies greater than seeing a talented, conscientious person who wants to work, but loses the opportunity because of forces he or she can't control.

Many people have been lucky enough to avoid this experience, but there are very few who have not shared the pain of a relative, friend, neighbour or colleague who loses a job. It reminds us that a recession is more than just a term bandied about by economists; behind the word there are human faces, and a human cost.

Blaming free trade for this tragedy might score a few political points. And yes, it might fool a few people. But it does nothing to address the real problems. It's easy to raise false hopes. It's tougher, but more productive, to focus on restoring real hope.

Here is one way to start: it's time to debunk the myths about free trade.

Myth number one: Canada has been a loser under free trade with the United States.

Last fall, the C.D. Howe Institute released a detailed study that showed Canada's exports of goods and services have thrived in most sectors that were liberalized under the FTA -- even during the recession.

And, where has Canada gained most? In exports of non-resource-based, high value-added manufacturing products, the areas that are crucial to future growth.

Myth number two: Canadian companies and Canadian workers have been hurt by free trade.

Let's look at two examples, such as GSW Inc., a company that produces water heaters, heating products, pumps and thermoplastics in my home town of Fergus, Ontario. I have a personal interest in this company since it is the successor to Beatty Brothers, Ltd., a business that my great-grandfather and his brother founded over a hundred years ago.

The total volume of sales of GSW's five operating companies increased in 1992 by 14 percent to reach \$166.3 million. Its sales to the United States, some \$52 million worth in 1992, were 29 percent higher than the previous year.

For a town like Fergus, that means more and better jobs for its people, greater economic activity throughout the community, and a more prosperous and secure future.

GSW is not an isolated success story. It is one of hundreds of examples of Canadian companies whose performance pushed Canada's merchandise exports to the United States to an all-time record of \$121.2 billion in 1992, well over 13 percent higher than our exports in 1991.

Another example is RMT Engineering of Grimsby, Ontario, which has introduced new automation systems for material handling. As a result of its participation in a Canadian government-sponsored trade event in Chicago, RMT Engineering has received 200 serious inquiries, \$44 million in new orders, and extremely high interest from United Parcel Post, which could result in additional sales of some \$200 million.

Myth number three: there would be no further incentive for foreign companies to invest in the Canadian market.

The reality is that the FTA has been a boon to investment. In 1991, the net inflow of foreign direct investment reached \$7.5 billion. This was after a year during which we had attracted a record \$7.7 billion worth of net foreign direct investment. Compare this to the 1980-85 period, when there was a net outflow of some \$5.4 billion.

This new investment means jobs for people here in Canada and means more economic activity in communities across the country.

As the Royal Bank of Canada observed, this turnaround in investment performance "suggests that overseas investors see

Canada as an increasingly attractive base for their North American operations since the implementation of the Free Trade Agreement."

Myth number four: the FTA has done nothing to stop trade disputes between Canada and the United States.

Of course there have been disputes. That's nothing new. The difference is that one of the most important aspects of the Agreement, for Canada, is the mechanism it provided for fair and rational management of them when they occur.

Since 1989, Canada has requested panel reviews of 24 decisions by U.S. agencies. More than half of the completed panels resulted in favourable decisions for Canadian firms and businesses.

What recourse would those Canadian firms have had without the Free Trade Agreement? Only one: to appeal the decisions through expensive and time-consuming judicial processes in U.S. courts. These processes could drag on for as long as 10 years. Under the FTA, the maximum period is 18 months.

The bottom line is that the Free Trade Agreement clearly defined the rules of trade and provided the best possible guarantee for workers and jobs in industries that depend on trade. The recession was long, hard and painful, but its effects would have been more harsh and more cruel had it not been for the Free Trade Agreement.

Today, as we enter a period of new economic growth, we again look to trade as the means to secure Canada's lasting prosperity. This conviction led us to negotiate the North American Free Trade Agreement.

The NAFTA improves the FTA model in several important ways. It means:

- fairer and more predictable rules of origin, particularly with respect to North American content in the automotive trade;
- new customs procedures that will reduce risks of unilateral interpretation of the rules;
- expanded quotas to the United States for textiles and apparel;
- the inclusion of intellectual property rights and certain transportation services;

- a better opportunity to invest in Mexico's trucking industry and the phasing-out of barriers against moving cargo in and out of Mexico;
- a significant expansion of government procurement opportunities;
- easier temporary access to all three countries for business people; and
- greatly enhanced access to Mexico, one of the world's fastest growing markets.

There are other benefits, as well. The NAFTA strengthens our mechanisms for settling trade disputes, and the successful negotiation of the environment and labour side agreements is very welcome news for all three countries.

As a former Minister of Communications, I should also say a word about the cultural benefits of the NAFTA. I recently read an excellent article by Senator Bill Bradley, who made this observation:

Europeans increasingly equate nationality with ethnicity, with Bosnia only the most obvious example. But on this side of the Atlantic, none of the "New World" countries -- the United States, Mexico, Canada, Venezuela, Brazil -- use ethnicity to define what it means to be an American, a Mexican, a Canadian, a Venezuelan or a Brazilian. Enacting NAFTA will allow us to demonstrate once again that our societies are open enough and understanding enough to be able to grow culturally as well as economically and politically.

Every time governments show the courage to take a step toward freer trade, there are those who stand ready to cut down their efforts. Here in Canada, we can always count on a chorus of complaints from those who believe Canadian workers and Canadian management don't have what it takes to compete in the international marketplace.

You could say they belong to the Jurassic Park school of international trade and economics. Even now, as they cast their long shadows over the field of public debate, we hear the familiar grumbling about the dangers of free trade, the desire to return to another time, another age.

There is plenty of room for legitimate debate about the best way to achieve what we all want -- to find solutions to our economic problems, and to put every Canadian back to work. Canadians are anxious about their economic future.

They see economic change on a global scale, and they wonder how these changes will affect them. They're concerned about their jobs, about their families, and about the opportunities that await their children.

What I see is a real desire for honest talk, realistic proposals, and solutions to our problems. To pretend that we can retreat behind artificial walls and hide from change is not honest, nor realistic, nor viable.

A retreat to the past may be nostalgic. It may provide a brief, illusory sense of security, but in 1993 you can't successfully navigate the uncertain road ahead if you spend your time looking longingly into the rear-view mirror.

The North American Free Trade Agreement will lend powerful impetus to our safe passage along that road. The potential economic, social and environmental benefits for all three countries are enormous. As key members of the Canadian and U.S. business communities, I know you recognize the promise this Agreement offers for greater growth and for more dynamic markets in North America.

As Canadian business people have told me many times, you don't build either a successful business or a great country by trying to hide from the competition. If you believe in your product -- and in yourself -- you meet the competition head on. All you need is a clear set of rules and a referee who is fair and impartial.

Few industrialized countries depend more on international trade than Canada. Trade pushed back the frontiers on the northern half of the continent and it provides the greatest hope that our children can have the dignity and quality of life that come from gainful employment.

Those who believe in Canada know that our future depends on facing the reality of international trade, investment and technology, not on turning our backs to the world. The future belongs to those who have vision and courage, not to those who are short-sighted and timid.

That's the great difference you see when you talk to young Canadians today. They know who they are. They're not interested in old and sterile debates about who a Canadian is. They're confident of themselves and they're proud of their country. They know that they can compete with the best the world has to offer.

There is one message I want to leave with you today: there is simply no going back to the past. The only issue Canadians -- and Americans -- must decide is whether or not we are prepared to

take advantage of the opportunities that exist for our future prosperity.

The governments of Canada, the United States and Mexico are doing their share in removing the barriers to greater prosperity and a better quality of life. For our part, the Government of Canada will be there to open the door for you. But, in the final analysis, it's up to you to walk through that door and prove to the world that "Made in Canada" means the best quality for the best price.

Don't let anyone sell Canadian workers or Canadian entrepreneurs short. You have the vision, talent, energy and determination needed, not only to sustain our performance as one of the world's leading trading nations, but also to generate the wealth needed for one of the world's most compassionate and peaceful societies.

I know you won't let Canada down.