



Minister for
International Trade

Ministre du
Commerce extérieur

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Notes for a speech by
the Honourable Pat Carney,
Minister for International Trade,
to a meeting sponsored by
the Government of Saskatchewan

REGINA

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Canada

Mr. Andrew, ladies and gentlemen.

It is a pleasure for me to be here with you this morning and to have this opportunity to discuss the Free Trade Agreement with fellow Westerners.

For generations we Westerners have fought hard against Ottawa's tendency to base national economic policies on the interests of people who live west of the Quebec-New Brunswick, and east of the Ontario-Manitoba border.

Since 1984, we have begun to redefine the balance sheet of this country. Westerners are finally getting national policies which take their interests and their priorities into account.

With the full support of the Prime Minister and my colleagues in the Cabinet, I negotiated the Western Accord with the energy-producing provinces, including Saskatchewan. The Accord eliminated those aspects of the National Energy Program which had been so harmful to Western interests and provided encouragement and incentives to the West's energy sector.

We eliminated the Foreign Investment Review Agency, which had driven investors away, and replaced it with Investment Canada, which has a mandate to promote investment by Canadians and non-Canadians

The result? In 1986 \$7.5 billion worth of foreign direct investment, an all-time record in this country.

A long-time objective of Westerners has been to diversify our industrial base so that we will be less dependent on resources and less vulnerable to boom-and-bust cycles. It is the key to a more prosperous and stable economy.

What have we done? Among other things we introduced the Western Diversification Fund. It not only provides much-needed funds for diversification purposes, it shifts decision-making power from the Ottawa Valley to the Western Provinces.

The fact is, ladies and gentlemen, that you now not only have Western voices influencing policy in Ottawa, you have Western brains and Western talent developing national economic policies.

In September 1984 Canadians gave us a strong and clear mandate to start building Canada again. That is exactly what we have done.

Since we came to power, well over 900,000 jobs have been created. Canada has had the best job-creation record among Western industrialized countries.

In 1986 and the first half of 1987, Canada outperformed every other industrialized country, including Japan, in terms of output growth.

But there is more, much more that we want to accomplish.

Given that one third of our output and three million Canadian jobs are dependent on trade, trade policy is at the very heart of the Government's mandate to build Canada for the 21st century. Improving our key trading relationships is a top priority.

The first logical step is to develop a freer, more predictable and more secure relationship with our single largest and most important trading partner.

The Prime Minister has referred to the Free Trade initiative as:

"A declaration of confidence in ourselves. Confidence in our ability to compete with the best in the world. Confidence in our ability to adapt in a tough and demanding international economy."

Premier Devine has described the Agreement in the following way:

"A Free Trade Agreement is not easy, but I believe it would be right historically and right for the future. I believe that we are mature and sophisticated enough to lead and not simply follow our fellow members of the global family."

So, what did our negotiators accomplish?

In general terms Canada and the United States have agreed to:

- phase out all tariffs between us within 10 years;
- set innovative rules for trade in services;
- provide secure access and non-discriminatory treatment for each other's investors;
- expand opportunities to compete for government purchases in each other's countries;
- strengthen automotive industries on both sides of the border, not only by reaffirming our commitment to the Auto Pact, but also by expanding its application; and

- establish appropriate dispute settlement mechanisms including binding, binational resolution of disputes over countervailing duties, anti-dumping and import safeguards.

And, what does this all mean to the people of this province?

Trade means jobs. In 1986 exports represented \$4.3 billion worth of business for Saskatchewan, which is about one-quarter of the province's Gross Domestic Product. Specifically, over \$2 billion worth of exports for Saskatchewan agriculture, over \$1.5 billion for Saskatchewan mining and over \$0.5 billion for Saskatchewan manufacturing.

It means a greater selection of goods and services at lower prices for all the consumers in this province.

Those who will benefit the most from this are people on low or fixed incomes.

It means a more secure future for Saskatchewan's exporters. This province has been hit harder by U.S. protectionism than any other province--for example in uranium, potash and livestock. Saskatchewan exporters know first-hand what it means to confront the full force of U.S. law, especially when it is applied unfairly to satisfy interest groups and lobbies.

We sought to enshrine the rule of law in the settlement of trade disputes between Canada and the U.S. and to put an end to what was becoming the rule of lobbies.

We met our objective.

The Free Trade Agreement provides our exporters, for the first time in history, an impartial, binding and binational body to which they can appeal when subjected to the unfair application of U.S. trade law.

What does the Agreement mean for agriculture, a sector which accounted for 20 per cent of Saskatchewan's Gross Domestic Product in 1986?

We said that we would protect our agricultural marketing systems, including our supply-management schemes. We honoured that commitment.

We said that we would maintain our right to apply seasonal tariffs to protect our fruit and vegetable producers in times of depressed prices. We honoured that commitment.

We sought exemption from U.S. restrictions on Canadian beef under their meat import law. We obtained that exemption.

And how does the Agreement apply to grains and oilseeds?

Although the U.S. is a relatively small market for Canadian grain and oilseed exports, we believe there is room for growth in areas such as rapeseed oil, high-quality oats, malting barley and wheat. The removal of U.S. tariffs on these products will open new export opportunities.

Direct export subsidies, such as those provided under the U.S. Export Enhancement Program, will be prohibited in our bilateral agricultural trade. Both governments recognized, however, that the export subsidy problem cannot be resolved only on a bilateral basis. It is a multilateral problem which requires a multilateral solution under the General Agreement on Tariffs and Trade.

Under the Free Trade Agreement, therefore, Canada and the U.S. have agreed to consult more closely with each other, to take account of each other's export interests when using export subsidies for sales to third markets and to work together in the GATT to improve trade in agriculture.

Canada has agreed to exempt the U.S. as an eligible destination for Western Grain Transportation Act subsidies on products moving through West Coast ports.

The requirement for import permits for wheat, oats and barley and their products will be eliminated when and only when total levels of support in both countries for each commodity are determined to be equivalent. As far as the impact of the Agreement on our two-price wheat policy is concerned, it will only be felt when there are equivalent support levels on both sides of the border.

Energy is another important sector of Saskatchewan's economy. The first point I want to make on this issue is that the Agreement deals only with trade in energy. The Free Trade Agreement in no way affects the ownership, control and use of energy resources in Saskatchewan or anywhere else in this country.

The guiding principle underlying the energy provisions is that Canada will be a reliable supplier as long as the U.S. is a reliable customer.

This means secure access to U.S. markets for Saskatchewan's petroleum exports.

As far as the commitment to share energy supplies is concerned, this is nothing new. Both countries have a long-standing commitment to energy-sharing under the International Energy Agency--a commitment, by the way, made by a previous administration.

For the economy of the province as a whole, the Agreement will provide golden opportunities for small to medium-sized businesses in the manufacturing and service sectors. All tariffs will be gradually phased out by January 1, 1998. This will create opportunities to increase processing and the value-added in Saskatchewan's exports to the U.S.--this can mean real growth in Saskatchewan's manufacturing industries such as high-technology, petrochemicals, food processing, electrical and electronic products, wood products and machinery.

Increased exporting of finished products means diversification of this province's resource-based economy. It means greater job-creating investment. It means greater employment for the province's youth in a wider variety of occupations and trades. It means greater demand for local products and services, and greater stability and growth for the economy as a whole.

Free trade does not guarantee all these things. Anyone who would say that might as well be trying to sell you snake oil.

What it does is to create the kind of economic environment in which these things can happen. It is the people of this province, with their legendary spirit of enterprise, who will make it happen.

Critics of the Agreement have been unable to mount any kind of believable attack on the basis of economics. Instead, they have relied on old saws such as "selling out the country" and "giving up our sovereignty".

The fact is that none of our cultural industries were on the table and none are in the Agreement.

Furthermore, none of the social programs, regional development programs and other policies, which Canadians consider to be vital to our unique identity and our sovereignty, are subject to the Agreement.

So, what exactly are they talking about?

Let me tell you what we are talking about. We are talking about an agreement which will make our economy stronger and more internationally competitive. This, in turn, will make Canada a stronger, more independent and sovereign country.

This Agreement is about the future of every person in this room, especially the young people. It represents a new vision of Canada as a strong, dynamic economy with a leading role to play in the world. We see a bold, confident Canada.

Consider the vision of the opposition--myopic and insecure. They see a small Canada, a Canada without self-confidence.

Paul Reichmann was quoted recently in Macleans Magazine as saying:

"Americans work hard. Canadians work better. We will prosper in a free trade deal."

We share that view. We believe that it is about time that government started showing some faith in the people of this country.

That is what we have done with this Agreement. I ask you to judge which vision of Canada will lead us successfully into the next century.

Thank you.