

Statement

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Department of
External
Affairs



Ministère des
Affaires
extérieures

88/23

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NOTES FOR A SPEECH

BY THE HONOURABLE PAT CARNEY,

MINISTER FOR INTERNATIONAL TRADE,

IN STRATFORD, SIMCOE AND BURLINGTON, ONTARIO

March 30, 1988.

Minister for
International
Trade

Ministre du
Commerce
extérieur

Canada

Good morning.

I am here today with the team of experts from the Trade Negotiations Office because it is a golden opportunity for me to talk directly to you, the entrepreneurs and business people of this country.

You are the people who are going to make the free trade agreement with the United States work.

Some people make the mistake of seeing the agreement purely as a North American exercise. They criticize the government for having economic tunnel vision.

What they fail to realize is that secure access to the U.S. market is a key to Canada's global competitiveness. We need that kind of market base to export successfully to all of the world's major markets.

Other people make ominous predictions that the free trade agreement spells the end of Canadian culture and sovereignty. They never explain how or why this would happen. Furthermore, they usually fail to mention that Canada's cultural industries are specifically exempted from the terms of the agreement. They also fail to mention the very real commitment of the government to Canadian culture.

We have increased financial support to cultural industries and have introduced innovative support programs in areas such as film production and sound recording.

We have taken these initiatives because we are committed to Canadian sovereignty and Canadian cultural industries.

Above all, we believe in Canadians, in their spirit of enterprise, in their competitiveness and their capacity to innovate.

When our bilateral negotiations with the United States were just getting underway, some people said that free trade was a leap of faith. My view is that it was an act of faith, based on confidence in Canadians and knowledge of their abilities.

That positive attitude has inspired all of our economic policies and initiatives such as our market-oriented energy policy, the deregulation of transportation and communications, and our investment policy, which is designed to promote investment in Canada by Canadians and non-Canadians.

That positive attitude has also inspired our approach to federal-provincial relations. The government has spared no effort to consult and to collaborate with the provinces and territories. Together, we have succeeded in creating a new, constructive era in federal-provincial relations. This, in turn, has had a positive effect on the economic and investment climate.

Investors from around the world are discovering a new Canada. Those are words used by Minoru Kanoo, who headed a high-level Japanese business mission to Canada in late 1986. Among other things, the Kanoo mission found a new spirit of national reconciliation, an improved labour climate and a favourable attitude toward foreign investment in Canada.

The result? Record levels of direct and portfolio investment in Canada by foreigners.

This is significant because investment is a vote of confidence in Canada, in its strong economic performance today and its dynamic future.

How strong has our economic performance been?

- we have been number one in economic growth since 1984.
- we have been number one in employment growth--more than 1,150,000 jobs created since we came to office. And, most of those jobs have been full-time, well-paid jobs in every sector of the economy.
- Ontario has been at the heart of our booming economy.
- economic growth last year was more evenly balanced--unemployment dropped in every single province.
- mortgage rates have dropped three percentage points, saving homeowners \$1,200 a year on a \$50,000 mortgage and helping businesses to expand throughout the country. Housing starts in 1987 were up 40 per cent compared to 1986, up 64 per cent compared to 1985 and up 92 per cent compared to 1984.
- all this growth without spiraling inflation. In fact, inflation has been decreasing. Lower inflation means lower prices for all consumers, particularly lower-income Canadians and seniors.

In September 1984, Canadians gave us a strong and clear message:

"Start building Canada again."

That is exactly what we have done.

But, there is more, much more, to be done.

A vital part of the government's program to build Canada for the twenty-first century is the Canada-U.S. free trade agreement.

A technical impact study, recently released by my colleague, the Minister of Consumer and Corporate Affairs, lists a number of potential benefits for consumers under free trade. When the agreement is fully implemented:

- the cost of living of low-income Canadians will decrease by three per cent and that of middle and high-income Canadians, by two per cent.
- The typical middle-income family will pay \$8,000 less to establish and furnish a home than would be the case without the agreement.

and,

- Increased competition will improve the price, quality and variety of consumer products.

The Canada-U.S. trade agreement is just what it says -- a trade agreement. It is not a customs or economic union. It does not mean that Canada and the United States will have identical laws and regulations. It is a comprehensive agreement designed to make trade between our two countries as free and secure as possible.

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

- phase out all tariffs between our two countries by January 1, 1998.
- establish innovative rules for trade in services, the fastest growing component of international trade. The agreement will make border crossing and temporary entry for business persons much easier, something which I know a number of you will appreciate.
- expand opportunities to compete for government purchases in each other's country.
- provide secure access and non-discriminatory treatment for each other's investors. This is becoming increasingly important from a Canadian point of view. By the end of 1986, Canadians had \$39.9 billion worth of direct investment and about \$14.3 billion worth of portfolio investment in the United States.
- establish effective ways to settle trade disputes between our two countries, including binding, binational resolution of disputes over countervailing duties, anti-dumping and import safeguards.

and

- 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.

What does the agreement mean for Ontario?

First, some numbers.

- over 30 per cent of the goods produced in Ontario are exported--that is, roughly equivalent to the national figure.
- the total value of Ontario's exports in 1986 was \$56.2 billion--that is, more than \$6,000 for every man, woman and child in this province.

- no province is more dependent on the U.S. market than Ontario. Fully 90 per cent of its exports go to the United States and 83 per cent of its imports come from that country. This is higher than the national average--for Canada as a whole in 1986, 77.3 per cent of our exports went to the United States and 68.6 per cent of our imports came from that country.
- In 1986, Ontario exported \$31 billion worth of cars, trucks and parts to the United States, which represented 55 per cent of all of Ontario's exports to that country.

Those are some of the important stakes for Ontario in having secure, open access to the U.S. market. Before going any further, I would like to say a few words about the Auto Pact in light of its importance to Canada and particularly to this province.

For the past 22 years or so, Canada has prospered under the Auto Pact. Not only does the free trade agreement maintain the Auto Pact and its safeguards, the agreement will improve Canadian benefits under the Auto Pact in terms of production and employment.

How will Canadians benefit?

First, the agreement raises the standard for North American content which car-makers must meet to qualify for duty-free entry into the United States. This will stimulate demand for Canadian-made auto parts.

Second, the agreement's rules of origin and the end of duty drawbacks will create a powerful incentive for car-makers from other countries to increase their sourcing in Canada and the United States in order to qualify for reduced tariffs. If car-makers from countries other than Canada or the U.S. want to export duty-free to the United States from Canada or to Canada from the United States their labour and North American parts must equal at least half the value of each vehicle's production cost.

Another key industry in Ontario is steel. Ontario accounts for about 80 per cent of Canadian steel production and 80 per cent of our steel exports to the United States.

In recent years, there have been increasing U.S. pressures to restrict imports of Canadian steel.

After extensive consultation with Canadian steel industry and labour representatives, I announced in April of 1987 a policy designed to secure access of our steel exports to the U.S. market.

The heart of this package was an export monitoring system to gather more accurate steel import and export data and to ensure that Canada is not used by offshore suppliers as a backdoor to the U.S. market.

The information gathered under this program shows that our trade practices in steel are fair and that U.S. protectionist measures in this industry are unwarranted.

As far as the free trade agreement is concerned, the provisions on safeguards and dispute settlement will go a long way in securing access to the U.S. market for Canadian steel exporters. This is particularly important given existing voluntary restraint agreements which the United States has concluded with a number of steel exporting countries.

The government of Ontario has said that it is in favour of trade liberalization, but not in favour of this agreement.

Its reasons for taking this stand are not particularly clear. For example, the Premier has said that he cannot support the agreement because Canada was not exempted from U.S. trade laws.

Our objective was to ensure the fair application of trade laws. We sought and we obtained the rule of law in order to replace what was degenerating into the rule of lobbies .

The agreement establishes binational ways of settling trade disputes. In future, Canadians, and not only Americans, will referee trade disputes with an impartial chairman.

This ensures that Canadian exporters, who play by the rules of the game and who successfully increase their market share in the United States, will be protected from harassment by U.S. competitors.

The agreement does not guarantee success.

It does not guarantee prosperity.

It does create a rational and fair trading environment in which these goals can be achieved.

It will be you--the entrepreneurs, businesses and risk-takers--who will make the agreement work for Canada.

Critics of the agreement have been unable to mount any kind of believable attack on the basis of either economic fact or economic theory. Instead, they have engaged in a pathetic display of fear-mongering, saying that we are selling out the country or giving up our sovereignty.

The fact is that none of the elements, essential to our sovereignty, were on the negotiating table. For instance, our cultural industries are specifically exempted from the agreement.

None of the social programs, regional development programs and other policies, which we consider to be vital to our unique identity and our sovereignty, are subject to the agreement.

Furthermore, if the agreement were such a threat to our social policies and programs, how could we have introduced the national day care program, which has to be one of the most ambitious social programs introduced in this country since Medicare?

So, what exactly are the critics afraid of?

What are they talking about?

Who knows? But I'll tell you what we're talking about.

We're talking about an agreement that will make our economy stronger and more internationally competitive. This, in turn, will make Canada a stronger country, even more confident in its own identity and its unique social and cultural fabric.

This agreement represents a new vision of Canada as a strong, dynamic country which has a leading role to play in the world and the confidence to play it.

It is about jobs and economic growth, now and into the twenty-first century. It is about opportunities for growth for regions of this country which, up to now, have not had their fair share of the wealth generated by our economy.

It is about sovereignty because only an economically strong country can support unique social programs and cultural policies.

Most of all, it is about securing and enhancing access to our largest export market.

For some reason, this bold, forward-looking vision of Canada frightens our critics.

They have opted for the politics of fear and anxiety. They offer you policies for the timid, not policies for the bold.

Their lack of faith in enterprising Canadians would lead us back to the nineteenth century.

We believe in a Canada that is enterprising and innovative.

As Paul Reichmann was quoted as saying last fall in Macleans magazine:

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

We share that view.

I ask you to judge which vision of Canada will lead us successfully into the next century.

Thank you.