

# STATEMENT DISCOURS

SECRETARY  
OF STATE  
FOR EXTERNAL  
AFFAIRS.

SECRÉTAIRE  
D'ÉTAT AUX  
AFFAIRES  
EXTÉRIEURES.



85/73

Notes for remarks by  
the Right Honourable  
Joe Clark, Secretary of  
State for External Affairs,  
to the Italian Chamber of  
Commerce

TORONTO

December 4, 1985.

ON THE ECONOMIC FRONT, WE HAVE MADE REAL PROGRESS. INFLATION HAS DROPPED TO 4%, THE LOWEST IT HAS BEEN IN FIFTEEN YEARS, INTEREST RATES ARE THE LOWEST IN A DECADE. INVESTOR CONFIDENCE IS RETURNING, NEW EMPLOYMENT IS BEGINNING TO CATCH UP WITH THE MANY NEW ENTRANTS COMING INTO THE LABOUR FORCE. MORE THAN 340,000 NEW JOBS HAVE BEEN CREATED IN THE PAST FIFTEEN MONTHS, OF WHICH 150,000 ARE IN ONTARIO. ALTHOUGH THAT IS IMPROVEMENT, MORE MUST BE DONE. JOBS REMAIN OUR NUMBER ONE PRIORITY.

THAT IS WHY TRADE IS IMPORTANT. ONE OF THE THINGS THAT MAKES CANADA DISTINCT, THAT SETS US APART, IS THE DEGREE TO WHICH WE DEPEND UPON INTERNATIONAL TRADE FOR JOBS AND FOR GROWTH. 30% OF CANADA'S WEALTH DEPENDS UPON INTERNATIONAL TRADE. MORE THAN THREE MILLION CANADIANS OWE THEIR JOBS TO EXPORTS. A STRONG TRADE PERFORMANCE IS THUS A KEY TO ECONOMIC RENEWAL.

TO BE SUCCESSFUL IN INTERNATIONAL TRADE, WE MUST MAKE SURE THAT OUR GOODS AND SERVICES ARE COMPETITIVE IN BOTH QUALITY AND PRICE. WE HAVE TO REINFORCE A FAVORABLE CLIMATE FOR THE GROWTH OF EMERGING TECHNOLOGIES AND THE INDUSTRIES OF THE FUTURE, TO SAVE THE JOBS WE HAVE NOW, TO CREATE NEW AND BETTER QUALITY JOBS.

BUT HAVING QUALITY GOODS AND SERVICES FOR EXPORT AT COMPETITIVE PRICES IS NOT ENOUGH UNLESS EXPORT MARKETS ARE OPEN. FOR OVER FORTY YEARS CANADA HAS BEEN A LEADER IN LIBERALIZING THE WORLD TRADING SYSTEM AND IN REDUCING BARRIERS TO TRADE.

ON SEPTEMBER 26, THE PRIME MINISTER ANNOUNCED THAT CANADA WOULD EXPLORE WITH THE UNITED STATES THE SCOPE AND PROSPECTS FOR A NEW, BILATERAL TRADE AGREEMENT. THIS DECISION IS PART OF THE GOVERNMENT'S OVERALL STRATEGY FOR ECONOMIC RENEWAL. IT WAS TAKEN IN PARALLEL WITH A COMMITMENT TO CONTINUE TO WORK ACTIVELY TO ENCOURAGE THE WORLD'S MAJOR TRADING NATIONS TO BEGIN ANOTHER ROUND OF MULTILATERAL TRADE NEGOTIATIONS.

THIS DECISION RESULTED FROM INTENSIVE DISCUSSION WITH THE PROVINCES AND THE PRIVATE SECTOR ON CANADA'S TRADE OPTIONS. THE MINISTER FOR INTERNATIONAL TRADE UNDERTOOK PUBLIC HEARINGS IN FIFTEEN CITIES ACROSS THE COUNTRY. THE PRIVATE SECTOR, LABOUR, ACADEMIA, THE CULTURAL COMMUNITY AND OTHER INTERESTED PARTIES HAVE ALL BEEN INVOLVED. THIS HAS BEEN THE MOST THOROUGH SET OF TRADE CONSULTATIONS THIS COUNTRY HAS EVER SEEN.

THESE CONSULTATIONS SHOWED THAT THE STATUS QUO IN OUR TRADE RELATIONS WITH THE UNITED STATES IS NOT VIABLE. THEY SHOWED WIDESPREAD BELIEF THAT THE CURRENT LEVELS OF UNEMPLOYMENT WERE DIRECTLY RELATED WITH UNCERTAINTY IN OUR TRADE RELATIONS WITH THE U.S. BUSINESSMEN EVERYWHERE URGED THAT BILATERAL NEGOTIATIONS BE HELD WITH OUR MAJOR CUSTOMER TO TIGHTEN UP THE RULES OF THE ROAD THAT GOVERN OUR CROSS-BORDER TRADE.

THE UNITED STATES PURCHASES THREE QUARTERS OF EVERYTHING WE EXPORT FROM THIS COUNTRY. MORE THAN TWO MILLION CANADIANS DEPEND ON THE US MARKET FOR OUR JOBS. IT IS OUR MOST CRUCIAL TRADING RELATIONSHIP AMOUNTING TO \$150 BILLION IN TWO-WAY TRADE.

THE UNITED STATES FOR A VARIETY OF REASONS IS CONFRONTED BY ENORMOUS PROTECTIONIST PRESSURES. EVEN WHEN WE ARE NOT THE TARGET, THE MEASURES THEY TAKE AGAINST OTHER COUNTRIES CAN CATCH US IN THEIR NET. IN THE LAST YEAR, CANADA HAS FACED MEASURES TO RESTRICT EXPORTS OF LUMBER, STEEL, FISH, RASPBERRIES, HOGS, AND POTATOES. NO REGION OF THE COUNTRY HAS BEEN SPARED. THOUSANDS OF CANADIAN JOBS ARE DIRECTLY AT RISK. THOUSANDS MORE ARE THREATENED INDIRECTLY.

THE UNCERTAINTY ABOUT OUR ACCESS TO THE US MARKET HAS BEEN COSTLY FOR CANADIAN BUSINESS; COSTLY IN FINANCIAL TERMS, AND IN INVESTMENT TERMS. IT IS DIFFICULT TO MAKE CORPORATE DECISIONS, TO CONSIDER NEW RISKS, TO EXPAND A BUSINESS WHEN YOUR MARKETS ARE THREATENED.

THE CROSS-BORDER TRADE ARRANGEMENTS THAT EXIST TODAY ARE INADEQUATE. WE NEED A FAIRER DEAL WITH THE US, TO MAINTAIN THE JOBS WE HAVE, TO ENCOURAGE NEW INVESTMENT, AND TO CREATE NEW JOBS.

WE MUST SEEK BETTER RULES TO GOVERN OUR TRADE BY SECURING THE ACCESS THAT WE HAVE, IMPROVING IT WHERE WE CAN AND ENSHRINING THE RESULTS OF NEGOTIATIONS IN A NEW BINDING INTERNATIONAL AGREEMENT.

WHAT DOES THIS MEAN FOR ONTARIO?

36% OF ONTARIO'S GNP IS EXPORTED. 90% OF THIS GOES TO THE UNITED STATES. IT IS FINE TO SAY TO THE AMERICANS, AS WE ALWAYS DO, THAT THE US EXPORTS MORE TO ONTARIO THAN IT DOES TO JAPAN.

BUT THERE IS A REVERSE SIDE TO THAT COIN. NO OTHER REGION IN CANADA IS AS DEPENDENT ON TRADE WITH THE US AS IS ONTARIO. WITH THE RISE OF PROTECTIONISM IN THE US, THE EXPORTS OF ONTARIO ARE AT RISK, AND SO ARE THE JOBS THAT ARE DEPENDENT ON EXPORTS. DOING NOTHING MEANS LOSING ONTARIO JOBS, LOSING ONTARIO MARKETS.

WE SIMPLY CANNOT STAND PAT, FOR THAT MEANS GOING BACKWARDS, IT MEANS FEWER JOBS, LESS INVESTMENT AND A POORER CANADA.

WHAT WE MUST DO IS TIGHTEN THE RULES THAT GOVERN OUR BILATERAL TRADE, REINFORCE THE CANADIAN INPUT INTO DECISIONS THAT AFFECT OUR TRADE, AND CREATE A TRADING ENVIRONMENT THAT IS BOTH STABLE AND PREDICTABLE.

TRADE NEGOTIATIONS ARE REALLY NEGOTIATIONS ABOUT FUTURE INVESTMENT IN OUR MANUFACTURING AND SERVICES SECTORS. ONTARIO HAS THE LION'S SHARE OF THESE ECONOMIC ACTIVITIES. ONTARIO IS ALSO ONE OF CANADA'S CENTRES FOR THE DEVELOPMENT OF TECHNOLOGIES OF THE FUTURE. ALL SUCH INDUSTRIES MUST HAVE THE OPPORTUNITY TO GROW. AN TO DO THAT THEY MUST HAVE SECURE ACCESS TO MARKETS THAT ARE LARGE ENOUGH TO PERMIT ECONOMIES OF SCALE AND SPECIALIZATION THAT MAKE PRODUCTION OF BOTH GOODS AND SERVICES INTERNATIONALLY COMPETITIVE. WE ARE THE ONLY MODERN INDUSTRIAL COUNTRY WHICH DOES NOT COMMAND ACCESS TO A MARKET OF AT LEAST 100 MILLION.

THE ENTREPRENEURS OF ONTARIO HAVE FREQUENTLY BEEN AT THE CUTTING EDGE OF MODERNIZATION, ADJUSTMENT AND CHANGE. CGE IN PETERBOROUGH, 3M IN LONDON, DUPONT IN SARNIA ALREADY COMPETE ALL OVER THE WORLD AND WITH A SECURE BASE IN NORTH AMERICA, SPECIALIZING AS THEY DO IN A FEW PRODUCTS, THEY WILL CONTINUE TO GROW. TO GET THE WORLD PRODUCT MANDATES THEY NEED, THEY MUST HAVE ACCESS TO A LARGE MARKET. THIS APPLIES SIMILARLY TO IBM CANADA.

THERE HAS BEEN NO SUBJECT THAT HAS BEEN STUDIED MORE EXTENSIVELY THAN CANADA-US TRADE LIBERALIZATION. MORE RECENTLY, THE MACDONALD COMMISSION COMMISSIONED RESEARCH AND HELD HEARINGS ACROSS THE COUNTRY OVER A PERIOD OF TWO YEARS, GENERATING SOME 40 STUDIES WHICH DEALT DIRECTLY WITH CANADA-US TRADE. WITHIN THE GOVERNMENT, AN EXTENSIVE RANGE OF STUDIES HAVE BEEN UNDERTAKEN.

WHAT DO THE STUDIES SHOW?

THEY SHOW AN AGREEMENT AMONG THOSE WHO HAVE CONDUCTED SERIOUS RESEARCH THAT THE REDUCTION AND ELIMINATION OF TRADE BARRIERS BETWEEN CANADA AND THE UNITED STATES WOULD BRING SUBSTANTIAL BENEFITS.

- A GROWTH IN THE ECONOMY OF UP TO EIGHT PERCENT.
- MORE JOBS ACROSS THE CANADIAN ECONOMY AS A WHOLE IN BOTH MANUFACTURING AND SERVICES.
- FOR EVERY \$1 BILLION IN TRADE, SOME 16,000 JOBS ARE CREATED.
- AVERAGE INCOMES WILL INCREASE
- PRODUCTIVITY WILL INCREASE
- EXPORTS WILL GROW
- AND THE CONSUMER WILL BENEFIT FROM LOWER PRICES.

...7...

AND ALL THAT ADDS UP TO HIGHER STANDARDS OF LIVING FOR CANADIANS.

WHAT WILL BE INVOLVED IN TRADE NEGOTIATIONS WITH THE U.S.? THESE WILL BE COMMERCIAL NEGOTIATIONS BETWEEN TWO DISTINCT AND SOVEREIGN NATIONS. WE AND THE AMERICANS WILL BE WORKING TOWARDS A PACKAGE OF MUTUALLY BENEFICIAL REDUCTIONS IN TARIFF AND NON-TARIFF BARRIERS IN ORDER TO PRESERVE EXISTING JOBS AND CREATE NEW JOBS IN THE FUTURE THROUGH EXPANDED TRADE.

IN ORDER TO GET A GOOD DEAL, WE HAVE TO BE PREPARED TO LOOK AT THE BROADEST POSSIBLE PACKAGE. THIS, WE HAVE FORMALLY INDICATED, THAT WE ARE PREPARED TO DO. BOTH SIDES WILL ALSO HAVE TO BE PREPARED TO LISTEN TO THE OTHER. WE HAVE OBJECTIVES, SO DO THEY. BY PLACING CONCERNS ON THE TABLE, NEITHER SIDE WILL BE COMMITTED TO ACCEPTING WHAT THE OTHER SIDE IS PROPOSING. BUT ONLY BY FRANKLY DISCUSSING EACH OTHER'S OBJECTIVES AND CONCERNS WILL WE KNOW WHETHER A GOOD DEAL IS POSSIBLE.

MORE SPECIFICALLY, CANADA WILL SEEK TO SECURE AND ENHANCE ITS ACCESS TO THE U.S. MARKET BY:

- REDUCING THE SCOPE FOR HARASSING COMPETITIVE CANADIAN EXPORTS. THE STEEL INDUSTRY AND THE LUMBER INDUSTRY AMONG OTHERS HAVE FACED YEARS OF THREATS TO THEIR MARKETS IN THE U.S.



- CODIFYING MORE CLEARLY RULES ON SUBSIDIES TO INDUSTRY, AGRICULTURE AND FISHERIES. BOTH COUNTRIES USE DOMESTIC SUBSIDIES. BOTH WILL CONTINUE TO. BUT THERE IS NO AGREEMENT ON WHICH SUBSIDIES ARE APPROPRIATE. SO LEGITIMATE CANADIAN MEASURES ARE ATTACKED BY U.S. PROTECTION. WE NEED CLEARER RULES.
  
- REDUCING THE IMPACT OF "BUY AMERICA" RESTRICTIONS, TO OPEN UP THE U.S. FEDERAL AND STATE GOVERNMENT MARKETS WORTH AS MUCH AS \$500 BILLION ANNUALLY. CANADIAN FIRMS WHO WIN U.S. CONTRACTS COME UNDER ENORMOUS PRESSURE TO TRANSFER PRODUCTION TO THE U.S. AND WITH THAT PRODUCTION GOES JOBS.
  
- STRONGER, MORE EFFECTIVE MECHANISMS TO SETTLE DISPUTES ABOUT TRADE. WE HAVE LOTS OF FIGHTS AND NO REFEREE. WITH CLEARER, MORE PREDICTABLE RULES, PROBLEMS CAN BE MORE QUICKLY RESOLVED.

THERE WILL BE TRADE-OFFS. THAT'S WHAT NEGOTIATION IS ABOUT. IT'S A TWO WAY PROCESS INVOLVING GIVE AND TAKE. IN ORDER TO GAIN SOMETHING OF VALUE, WE WILL NEED TO GIVE SOMETHING OF VALUE. ANY DEAL WILL HAVE TO BE MUTUALLY BENEFICIAL.

...9...

WITH A BILATERAL TRADE AGREEMENT WITH THE U.S. WE WILL HAVE THE OPPORTUNITY TO EXPAND OUR EXPORT MARKETS. WITH TRANSITION PERIODS AND THE PHASED ELIMINATION OF TARIFF AND NON-TARIFF BARRIERS BETWEEN EIGHT TO TEN YEARS, WE WILL EXPERIENCE MANAGED AND ORDERLY CHANGE. THAT KIND OF CHANGE WILL BE WORTHWHILE, IT IS PREFERABLE TO THE AD HOCERY OF THE PRESENT.

THERE WILL BE ADJUSTMENT, AS THERE IS NOW. THE DIFFERENCE IS THAT WITH IMPROVED TRADE RULES, THIS ADJUSTMENT IS BASED ON A BETTER TOMORROW. IT IS BASED ON JOB CREATION RATHER THAN JOB LOSS. IN ESSENCE, THE GOVERNMENT WOULD LIKE TO SEE THOSE WORKING IN OTHER SECTORS OF THE ECONOMY ENJOY THE BENEFITS THE AUTOWORKERS ALREADY HAVE UNDER THE AUTO PACT.

THOSE WHO ARE BENEFITTING THE MOST UNDER THE CURRENT TRADE RELATIONSHIP WITH THE U.S. ARE THOSE WHO ARE WORKING UNDER THE AUTO PACT. LET'S HAVE TRADE RULES THAT COVER AS MUCH OF OUR CROSSBORDER TRADE IN GOODS AND SERVICES AS WE POSSIBLY CAN AND BUILD UPON THE EXCELLENT START THAT HAS BEEN MADE BY THE AUTO PACT.

I SPENT SOME TIME IN NEW YORK LAST MONTH TALKING TO A NUMBER OF AMERICAN C.E.O.'S. THEY ALL INDICATED THAT THEIR COMPANIES WERE IN CANADA FOR GOOD REASONS, HAD MADE SIGNIFICANT CAPITAL INVESTMENTS IN THIS COUNTRY AND INTEND TO STAY. THEY HAVE CONFIDENCE IN THIS COUNTRY'S FUTURE. SO DO WE, AND AS CONSULTATIONS ACROSS THE COUNTRY HAVE SHOWN, SO DO BY FAR THE VAST MAJORITY OF CANADIANS. WE WANT TO ENCOURAGE AND BUILD THIS SENSE OF SELF-CONFIDENCE.

THROUGH THE NEGOTIATIONS, WE WILL BE RULED BY ONE FUNDAMENTAL OBJECTIVE. THE BENEFITS MUST BE SUBSTANTIALLY GREATER THAN THE COSTS. INTERNATIONAL NEGOTIATIONS ARE COMPLEX AND CHALLENGING THE GOAL OF SECURE AND EXPANDED ACCESS TO THE U.S. MARKET FOR CANADIANS IS, I BELIEVE, WORTH THE ENORMOUS EFFORT AND GOOD FAITH REQUIRED. AT THE END OF THE PROCESS, WE WILL ONLY SIGN A DEAL WITH THE UNITED WHICH SERVES THE INTERESTS OF ALL CANADIANS.

WE WILL SPEAK WITH ONE VOICE FOR CANADA, BUT WE WILL SPEAK FOR ALL CANADIANS AND WE WILL DO SO WITH THE PARTICIPATION AND CO-OPERATION OF THE PROVINCES.

AS THE PRIME MINISTER STATED IN THE HOUSE OF COMMONS WHEN HE ANNOUNCED THE TRADE INITIATIVE: "INTERNATIONAL NEGOTIATIONS ARE COMPLEX AND EXTREMELY CHALLENGING. SUCCESS IS NOT A SURE THING BUT THE RESULTS OF SUCCESS ARE WELL WORTH THE ENORMOUS EFFORT AND GOOD FAITH REQUIRED FOR THE NEGOTIATIONS." THIS CHALLENGE EXISTS FOR ALL INDUSTRIES AND ALL CANADIANS, WHEREVER THEY ARE SITUATED.

THIS IS A WINNING PROPOSITION. THIS IS A POLICY THAT WOULD LEAD TO INVESTMENT, EXPANSION, MODERNIZATION AND SPECIALIZATION. IT WOULD ENCOURAGE AN ENVIRONMENT IN WHICH CANADIAN BUSINESSMEN COULD COMPETE. IT WOULD STRENGTHEN THE CAPACITY OF CANADIAN BUSINESSMEN TO COMPETE MORE EFFECTIVELY IN GLOBAL MARKETS. WE ARE PURSUING AN AGREEMENT WITH THE U.S. TO PREPARE CANADA FOR THE 21ST CENTURY.