

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

93/22

CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS BY

THE HONOURABLE MICHAEL WILSON,

MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND

MINISTER FOR INTERNATIONAL TRADE,

SECOND READING DEBATE ON

BILL C-115 (THE NAFTA IMPLEMENTATION ACT)

OTTAWA, Ontario
March 25, 1993

Mr. Speaker:

Canada's brighter economic prospects today are making news everywhere. Our economic indicators are confirming remarkable strength.

Eight and half years ago, when this Government first took office, we recognized that the world was changing. We recognized that the transformation to a more integrated, global economy was accelerating, that Canada needed to respond. And so, we developed and implemented a comprehensive plan of action.

Through privatization, de-regulation, tax reform, and fiscal control at home, and through a progressive, outward-looking trade policy centred on the General Agreement on Tariffs and Trade (GATT), the Canada-U.S. Free Trade Agreement (FTA) and now the North American Free Trade Agreement (NAFTA), the Government has constructed a solid, dependable framework on which Canada's economic future can be built.

We assembled our program through the 1980s, with perseverance and careful co-ordination, during one of the longest periods of uninterrupted growth this century.

That growth stalled at the decade's end. Our markets shrank, as the economies of our trading partners shrank. We entered a difficult period. Canadians had to make difficult adjustments.

Our policies helped Canada weather that difficult time. Without our comprehensive program of reforms, the impact of the global recession on Canada would have been much more severe.

Today, we are better positioned than we would ever have been to catch the next wave of strong economic expansion.

The Bill before us today, when passed by Parliament, will affirm Canada's foresight in negotiating the North American Free Trade Agreement.

When, with the approval of the three countries, the Agreement enters into force on January 1, 1994, the NAFTA will provide Canadians with a strengthened base from which to tackle the rugged terrain of the global marketplace.

The removal of trade barriers with Mexico, when coupled with the market opening achieved under Canada-U.S. free trade, will open to us a dynamic marketplace, 360 million strong.

The NAFTA will open up the Mexican market to Canadians like never before. Tariff barriers, import licences, investment restrictions, trade balancing requirements and other barriers to Canadian exporters of goods and services will be removed.

Mexico already enjoys open access to the Canadian market. In fact, almost 80 per cent of Mexican goods now enter Canada duty-free, so today we have effectively one-way free trade.

The improvement in market access under the NAFTA is much greater for Canadian goods going to Mexico than for Mexican goods coming here. In terms of trade barriers, Canada is dismantling the equivalent of a picket fence. Mexico is hauling down a stone wall.

In agriculture, we will realize significant new opportunities to serve the growing Mexican market for food of all varieties, from fish and processed foods to apples and barley.

In transport, trucking firms and bus operators will have new access to Mexico. Canadian truckers will be able to serve the entire North American market, picking up goods in the U.S. for delivery to Mexico, and adding U.S. goods to their Mexican cargoes for delivery back to Canada.

In financial services, Canada's banks will be able to make major investments in the Mexican market, providing new outlets for Canadian financial expertise and rock-solid growth potential, which has so distinguished Canadian financial institutions around the world.

For Canada's high-technology industries, the immediate removal of Mexican duties on telecommunications equipment will provide a major opportunity for this highly competitive sector.

The NAFTA will eliminate Mexico's trade restrictions in the auto sector, which have been a major impediment to the sale in Mexico of Canadian vehicles and auto parts. This will set right the current imbalance, whereby in contrast to Mexican restrictions, around 90 per cent of Mexican automotive exports enter Canada duty-free. Access to Mexico -- the fastest-growing auto market in North America -- could not have been secured at a better time for Canadian employers and employees of this vital sector.

I have time to mention only a few examples of the opportunities created by opening up the Mexican market to Canadians. Whether it be urban transportation equipment, pollution abatement and monitoring technology, or oil field services and equipment, the opportunities we negotiated for Canadians are numerous.

Improving the FTA was another of our objectives in the NAFTA. And we succeeded.

We strengthened the system for settling trade disputes.

We made the rules of origin clearer and more predictable. This will mean that disputes over the full North American content of Canadian-built Hondas should be a thing of the past.

Disciplines in the Agreement will help ensure that standards are not used as disguised protectionism.

Canada won expanded access to the U.S. market for textiles and apparel by negotiating special quotas that are higher than in the

FTA. This will permit Canadian textile and clothing makers to further expand their export sales, which have already increased substantially under the FTA. Canadian apparel exports have increased by over 150 per cent since the FTA was implemented; Canadian fibre exports have also grown by almost 90 per cent. Canadian fabric and other textile product exports show an increase of over 50 per cent. NAFTA will provide even greater headroom for growth.

We also strengthened energy provisions through the NAFTA, obtaining stronger disciplines on U.S. regulators from interfering with freely negotiated contracts between Canadian exporters and U.S. buyers.

And we negotiated a very attractive government procurement deal. For the first time, suppliers of Canadian building materials will have competitive access to U.S. and Mexican government construction contracts. For the first time, Canadian service providers will have access to U.S. and Mexican government service contracts. Moreover, the U.S. has agreed to lift the Buy America restriction on loans provided under the rural electrification administration, a contract pool amounting to US\$1.5 billion a year. And even more exciting for Canadian firms, the U.S. under the NAFTA will waive the Buy America restrictions on contracts let by the Army Corps of Engineers, which last year -- by itself -- ran up almost US\$9 billion in procurements.

We entered the negotiations intent on making improvements to the FTA, and we did.

The NAFTA also gives a new edge to Canada's international competitiveness. It will enhance Canada's attractiveness as an investment base from which to serve all of North America.

Canada had a choice when it entered the negotiations. We could have stood back and let the United States and Mexico sign a deal by themselves. Such an agreement would have given a tremendous advantage to the U.S.: the U.S. would have been the only country with barrier-free access to all of North America. Under those circumstances, the decision of investors wanting to gain access to the entire North American market would have been obvious, to locate in the U.S.

Instead, we made the right decision, and that was to become a full partner in the wider North American market.

In addition to the significant market opening to Mexico, the provisions for services and investment will support hemispheric business planning and economies of scale, significant advantages in today's global economy.

With the prospects of the new, larger market in view, Canadian industry is already responding to the potential of the larger market. Canadian firms are demonstrating the entrepreneurial daring essential to our prospects as a pre-eminent trading

nation. They have been active in trade missions in Mexico in unprecedented numbers, making contacts, finding partners and signing deals. Our embassy in Mexico received 4,500 Canadian business visitors in 1992, eager to find new customers and partners in the Mexican market -- up from approximately 1,000 in 1990.

The NAFTA is clearly widening Canadian horizons. It's giving us a bigger stage on which to demonstrate and prove our economic expertise and leadership.

Our capacity to manoeuvre in the global marketplace will be even more enhanced with the successful completion of the Uruguay Round of Multilateral Trade Negotiations under the GATT, which remains Canada's top trade priority.

In the meantime, the NAFTA is fully compatible with GATT rules and raises no barriers against other trading nations. It extends free trade on a regional basis.

This approach has received the support of the GATT Secretary-General Arthur Dunkel, who said last year:

Multilateralism and regionalism can co-exist; better, they actually reinforce one another.... The founders of the GATT never thought to place global and regional approaches to trade liberalization in opposition, but considered them to be two sides of the same coin.

Canadians can venture into new markets assured by the growing evidence of our increasing export success. Last year was an outstanding one for Canadian exports. It is the export sector that is leading the way in the current expansion.

Merchandise exports for 1992 reached record levels of \$157.5 billion. That's an 11-per cent increase over the previous year, and it is the largest year-over-year increase since 1984.

The increases in our exports to the United States alone were even greater. Sales to the U.S., our largest market, were \$122.3 billion, a 13.6-per cent increase over 1991.

The picture continues to get better. Our monthly exports soared to \$14.6 billion in January, 16 per cent higher than the same month last year.

Exports to the United States in January were more than \$2 billion higher, a 22-per cent increase over the previous year.

Our world trade surplus jumped a remarkable \$898 million to reach \$1.9 billion in January alone.

When I see figures like these I have to wonder how long the honourable members opposite can continue to criticize the Canada-U.S. Free Trade Agreement.

Blaming every sparrow that falls on the FTA is no longer credible -- and gets even less credible with every new report on Canada's economic performance and outlook.

The English historian Macauley said:

Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular.

He meant that no country ever pursued free trade without resistance from entrenched interests. But the entrenched interests cannot fool all of the people all of the time. They can neither hide the evidence, nor ignore it. All their diversionary tactics and fearmongering rhetoric cannot bury the truth. The benefits of the FTA, buttressed as they are by our economic reforms, are emerging in the form of hard economic figures that cannot be denied. Evidence of the value of our policies are there for Canadians to judge for themselves.

I am confident that Canadians, after a fair appraisal of the facts, will recognize where their best interest lies.

The facts are indisputable. Our trade with the United States continues to grow. Annual imports are up. Our exports are up even more.

And look at the composition of those exports. Canadian exports rose most sharply in 1992 in high-end manufacturing products. They performed particularly well -- and this point bears underscoring -- in those sectors where tariffs have been eliminated by the FTA, or where they were being rapidly phased out.

Furthermore, Canada's share of a number of U.S. markets for value-added manufactured goods is growing.

Canadian manufactured products as a percentage of the total U.S. market has risen and has now reached a record level. They now represent 2.6 per cent of the U.S. market. That figure only sounds small: it isn't -- not in the large U.S. market. The figure represents a 20-per cent rise in Canada's share of the U.S. manufactured goods market in just a decade.

Transportation equipment, chemical, electrical and electronic, and paper products are the sectors that are leading this expansion.

Canada's exports to the United States of office, telecommunications and precision instruments was valued at \$9.3 billion in 1991, up a remarkable 74 per cent since 1989, the year the FTA went into effect.

In the manufacturing sector, these are the high-end products. They contain more value-added by the highly skilled Canadian

workers who make them. They represent the indispensable equipment of the new economy.

The performance of the Canadian export sector is starting to have an impact on that other vital indicator of economic growth, job creation. Canada saw the first strong evidence of post-recession job growth in 1992. A net 118,000 jobs were created in the year, and that pace will certainly accelerate as the recovery strengthens.

Economic expansion is not a force without an agent. Economies grow because people make them grow. Economies grow when people see opportunities, assess the challenges they face and then take action.

Even though the NAFTA is not yet in effect, Canadian companies are already exploring the increasingly robust and dynamic Mexican market that is benefitting from the reforms of the last seven years.

Canadians and Mexicans are signing contracts and making sales today. SR Telecom of Montreal has a \$13-million contract to supply radio systems to 535 Mexican villages. Benefitting from contacts made at a Canadian trade fair held in Monterrey, Mexico, Royal Plastics Group of Toronto is drawing up plans for a joint venture to produce panels needed for housing in Mexico.

Consider for a moment the \$1.5-million contract negotiated between Bovar-Western Research and PEMEX, the state-owned oil company. Bovar-Western Research is the first company ever to help Mexican petrochemical firms install instrumentation control for their sulphur recovery units.

Several weeks ago we learned of a \$160-million joint venture by Quebec and Spain in Canadian petrochemical production to serve the whole North American market.

These few examples illustrate the marvels of international trade. Mexico acquires much needed products and services, and Canada wins sales that create jobs at home in Montreal, Toronto and Calgary.

The sales I mentioned represent only a small sample of Canadian successes already achieved in the Mexican market.

Through trade, Mexico is finding products and services that help meet the country's need for housing, for ending isolation of rural communities and for controlling pollution. In turn, families in Montreal, Toronto and Calgary are earning good wages from highly skilled jobs and securing prosperous futures from their families.

The marketplace is doing its job.

In the months and years to come, the Government of Canada will be helping more Canadians find ways to benefit from opportunities in the North American market.

Two weeks ago, I announced our Access North America program. This program acts on the recommendations of the Action Plan of the Steering Group of the Prosperity Initiative. The Action Plan urged the Government to make greater efforts to develop world markets.

We are doing this.

Access North America will help make the NAFTA work for Canadians. It will help Canadians display their products and services at a permanent trade centre in Mexico City, and it will help Canadians become better acquainted with the Mexican market through a program known as Newmex.

Yet what would my honourable friends opposite do? They would deny Canadians all the opportunities of this market. Some of them would tear up not just the NAFTA, but the FTA as well.

They have no vision of their own. They have no plan of action for Canada to play an important role in the global economy.

They counsel withdrawal. They don't want an active Canada, involved in the world. They want a catatonic Canada. They want Canada to stagnate as a backwater. Their policies would amount to planned paralysis or, worse, to the reckless abandonment of our largest trade relationship.

I wonder what the Opposition would be saying if we had not joined the negotiations for the NAFTA.

We would be under attack. We would be criticized by many of them for letting the United States march into the Mexican market while we sat passively to the side.

Many in the Opposition would undoubtedly have accused us of putting our industries at risk, of freezing them out of a prime commercial opportunity.

They would have charged us with undermining Canada's drawing power as a location for investment. They would have condemned us for refusing to defend Canada's interests.

But they can't do that, Mr. Speaker, because this Government did the right thing. We saw the future, and we wanted our rightful part in it.

The Bill before us today, when approved, will lead us to the twenty-first century.

One of the fundamental concerns of the next century will be the relationship between the developed and the developing world.

The NAFTA offers a positive prototype for those relations. Aid to the world's developing nations has too often realized only small and isolated victories in the war on poverty in the last 50 years. The developing nations increasingly admonish the developed world to realize that, not aid, but trade is the key to a richer future.

Developing countries want the freedom to sell their goods and services on world markets. They want also to be able to buy the goods and services and to attract the investment that the developed world has to offer.

This is the acknowledged key to their future development and prosperity. It is also essential for the developed world's continuing prosperity and to world peace and stability.

Greater trade and greater economic interaction and interdependence can defuse the resentments and envies that have too often been responsible in the past for international disorders ranging from famine to terrorism.

Trade is a powerful antidote to conflict. It is a powerful support to international order. I say unambiguously that free trade policy is good foreign policy.

It is good policy for our relations with our Mexican friends and partners. It is good policy also for our relations with those countries in Latin America and beyond who may join the NAFTA and other market-opening trade agreements in future.

The conservation and protection of our natural resources -- of our air, land and water -- will be another pre-occupation of the twenty-first century. Likewise, the quality of life in the workplace will be a concern of workers and managers everywhere.

The NAFTA breaks new ground in addressing environmental issues in ways never done in any trade agreement before. For example, the NAFTA specifically allows for the inclusion of scientific experts in the settling of trade disputes. It states that NAFTA partners should not lower environmental standards to attract investment.

Above all, the NAFTA recognizes the responsibility of all partners to maintain and improve their environmental standards.

And the NAFTA, in its preamble laying out the broad objectives of the Agreement, confirms the commitment of all three countries to improve working conditions and living standards and to enhance and enforce workers' rights.

Canada is committed to pursuing additional environmental and labour accords in trilateral discussions with Mexico and the United States. These will lead to strengthened environmental co-operation among our countries and to an open dialogue about the workplace in the new North American market.

The NAFTA has proved a powerful catalyst to pursue the environmental and labour agendas. Before the NAFTA negotiations, Canada had a number of bilateral agreements with Mexico on these subjects. The trade talks led to a more concentrated program of trilateral discussions.

Without the NAFTA, it is unlikely that today we would be preparing for the establishment of a North American Commission on the Environment. The functions of the Commission may well include harmonizing environmental standards at higher levels, developing limits for specific pollutants, promoting environmental science and technology, and increasing public awareness of environmental issues.

In the labour discussions, we will be pressing for the establishment of a trinational body to focus on the improvement of working conditions and living standards in all three countries. Such a commission would help give effect to the NAFTA's commitment to "protect, enhance and enforce basic workers' rights."

Throughout the negotiations of the NAFTA and now as we negotiate the additional agreements, we have been able to call on the knowledge and expertise of the provinces, labour organizations and environmental groups. They have played an extremely important role in helping the Government develop and refine its agenda, and they will continue to do so as labour and environmental talks proceed in the weeks ahead.

We are clear on this. The NAFTA is part of this Government's commitment to the quality of working life and to sustainable development. The NAFTA will contribute to economic growth in a way that takes into account the health and well-being of the population, and the protection and preservation of the environment on which we depend.

The world of nations has been rapidly transformed into an increasingly interdependent global economy in a matter of decades.

The dawn of the twenty-first century rises over an interconnected marketplace that includes, at the same time, mass production for truly world markets and specialized production for highly individualized niche markets.

The way business is conducted today would have been inconceivable to our counterparts of less than a generation ago. Fibre optics, lap top computers, fax transmissions, interactive video -- the quick transformation of research into technology to create new products and services has ceased to amaze and now is routine.

This Government has worked hard to prepare our economy for the global marketplace, and with the framework we have put in place, Canadians will exploit it to their advantage.

Canadians do not fear the future. They are leaders, and they make the future work for them and they profit from it.

The creation of a North American free trade area is one of the future's opportunities. It will contribute positively to our greater competitiveness and our prosperity.

It provides us with a larger market allowing us to take advantage of both economies of scale and market specialization. In doing so, it better equips Canadian industry and workers to tackle other world markets with increasing success.

This applies not only to the larger Latin American market to which Mexico offers an obvious opening. It applies also to the countries of Asia-Pacific, Europe and the Middle East.

Developing the skills and adapting to the demands of the North American free trade area will clearly assist us in other world markets.

Eight and a half years ago, this Government set itself the task of looking to the future and outward to the world.

The opposition may wish that Canadians hunker down in the claustrophobic shadow of the way things once were. That is not the fate this Government wishes for this great nation.

We want to fulfil Canada's vocation as a world leader, committed to a stable international economy, to environmentally sustainable growth, to developing new markets and finding new economic partners. When we pursue this progressive agenda, we inevitably create high-quality jobs for Canadians and strengthen the foundations of our prosperity.

The North American Free Trade Agreement is proof, and a solid demonstration, of that commitment.

Mr. Speaker, I travel a lot on trade missions. I meet many exporters from other countries, and I ask them: "What country in the world would you like to have assured access to? What is your most important market? What country would you like to have a dispute settlement mechanism with?"

In all cases, the answer is "the United States." We have that, Mr. Speaker. We have something that others would give their eye-teeth for, and now we are broadening the relationship to include Mexico. We are very fortunate people in Canada to have this. Let us not squander that success. Let us support the NAFTA.