

# STATEMENT DISCOURS



"Free Trade: An Opportunity  
for Canadians"

87/65

Notes for an Address by  
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CANADA IS FACED WITH THE NECESSITY OF MAKING A CHOICE THAT WILL SUBSTANTIALLY AFFECT NATIONAL WELFARE FOR GENERATIONS TO COME.

THE CANADIAN BUSINESS COMMUNITY HAS A CRUCIAL STAKE IN THIS CHOICE. IT COMES DOWN TO A DECISION WHETHER CANADIAN BUSINESS SHOULD SEEK THE OPPORTUNITY AND CHALLENGE NOW PRESENTED OF SECURING AND ENHANCING ITS ACCESS TO A COMBINED MARKET OF 270 MILLION OR WHETHER IT IS PREPARED TO FACE THE VERY REAL RISK OF RESTRICTED ACCESS TO A MARKET VITAL TO ITS PROSPERITY.

THERE ARE THOSE WHO ARE SAYING THAT CANADA OR THE UNITED STATES GOT THE BETTER OF THE FREE TRADE DEAL. IN THE UNITED STATES, SOME IMPORTANT INTERESTS ARE ARGUING THAT THE UNITED STATES GOT THE WORST OF THE DEAL IN MARITIME TRANSPORTATION, IN ENERGY, IN AGRICULTURE, OR IN THE AUTO SECTOR. EQUALLY, SOME CANADIANS ARE CLAIMING THAT CANADA HAS BEEN OUT-NEGOTIATED.

LET ME SAY, AS ONE WHO HAS BEEN INTIMATELY INVOLVED IN CANADA-UNITED STATES TRADE RELATIONS FOR MORE THAN A DECADE NOW, THAT IN MY OPINION THIS AGREEMENT IS BALANCED, FAIR AND IN THE OVERALL INTEREST OF BOTH COUNTRIES. THOSE WHO SAY THAT THE UNITED STATES

OR CANADA GOT THE BETTER OF THE DEAL ARE ARGUING ON THE BASIS OF DOGMA RATHER THAN FACTS. I AM ABSOLUTELY CONVINCED THAT A DISPASSIONATE ANALYSIS OF THE CONTENTS OF THE AGREEMENT WILL DEMONSTRATE THAT IT WILL PROMOTE THE PROSPERITY OF THE CANADIAN ECONOMY WITHOUT SACRIFICING OUR POLITICAL OR CULTURAL SOVEREIGNTY.

LET US LOOK BRIEFLY AT WHAT THE AGREEMENT DOES. FIRST, IT ELIMINATES ALL TARIFFS OVER A PERIOD OF 10 YEARS. THIS MEANS CHEAPER GOODS FOR CANADIAN CONSUMERS, CHEAPER INPUTS, BIGGER MARKETS, LARGER PRODUCTION RUNS AND MORE COMPETITION FOR CANADIAN PRODUCERS.

THE AGREEMENT REMOVES VIRTUALLY ALL BARRIERS TO ENERGY TRADE. THIS WILL PROVIDE A STABLE FRAMEWORK FOR INVESTMENT IN NEW ENERGY DEVELOPMENTS, INCLUDING INVESTMENT IN HYRO-ELECTRICITY DESTINED FOR THE U.S. MARKET.

THE AGREEMENT DEALS IN A MAJOR WAY WITH NON-TARIFF BARRIERS. BOTH COUNTRIES WILL BE COMMITTED NOT TO USE TECHNICAL STANDARDS AS A BARRIER TO TRADE. SIMILARLY THERE ARE COMMITMENTS NOT TO IMPOSE QUOTAS AND

OTHER RESTRICTIONS AND MANY RESTRICTIONS WILL BE PHASED OUT.

UNDER THE PROCUREMENT PROVISIONS OF THE AGREEMENT, CANADIAN FIRMS WILL BE ABLE TO COMPETE FOR AT LEAST 4 BILLION DOLLARS IN ADDITIONAL U.S. GOVERNMENT PROCUREMENT.

QUITE APART FROM THE SIZE OF MARKETS AND VOLUMES OF TRADE AFFECTED, THIS AGREEMENT IS PRECEDENT SETTING IN THE RANGE OF ISSUES ON WHICH BINDING OBLIGATIONS HAVE BEEN EXCHANGED.

THE AGREEMENT ON SERVICES IS AN HISTORIC BREAKTHROUGH. FOR THE FIRST TIME AN INTERNATIONAL AGREEMENT WILL PROVIDE A CODE OR SET OF GENERAL DISCIPLINES COVERING A LARGE NUMBER OF SERVICE SECTORS. IT WILL PROVIDE THAT IN FUTURE THE TWO GOVERNMENTS WILL EXTEND THE PRINCIPLES OF NATIONAL TREATMENT, RIGHT OF COMMERCIAL PRESENCE AND RIGHT OF ESTABLISHMENT TO EACH OTHERS PROVIDERS OF SERVICES.

THIS AGREEMENT WILL ALSO BE A TREND SETTER IN THE AREA OF INVESTMENT. THE TWO GOVERNMENTS HAVE AGREED IN FUTURE TO GIVE EACH OTHERS INVESTORS NATIONAL

TREATMENT WITH RESPECT TO THE ESTABLISHMENT OF NEW FIRMS, THE ACQUISITION OF EXISTING FIRMS, AND THE CONDUCT, OPERATION AND SALE OF ESTABLISHED FIRMS. THIS MEANS THAT IN FUTURE, APART FROM CERTAIN EXCEPTIONS WHICH WILL BE MAINTAINED ON BOTH SIDES OF THE BORDER, AMERICAN INVESTORS IN CANADA AND CANADIAN INVESTORS IN THE UNITED STATES WILL BE TREATED IN EXACTLY THE SAME WAY AS DOMESTIC INVESTORS. THE ENHANCED SECURITY PROVIDED TO INVESTORS WILL IMPROVE THE OVERALL INVESTMENT CLIMATE IN CANADA.

IN OUR DEFENSIVENESS ABOUT FOREIGN INVESTMENT, SOME CANADIANS SEEMS TO FORGET THAT CANADA IS NOW A MAJOR NET EXPORTER OF CAPITAL AND HAS BEEN SO SINCE 1975. DURING THE LAST THREE YEARS, THE FLOW OF CANADIAN DIRECT INVESTMENT TO THE UNITED STATES HAS EXCEEDED THE FLOW OF U.S. DIRECT INVESTMENT TO CANADA. CANADIAN INVESTMENT ABROAD BRINGS INCREASED EXPORT OPPORTUNITIES. MOREOVER, THE RETURN ON THIS INVESTMENT IS NOW MAKING A SIGNIFICANT CONTRIBUTION TO OUR BALANCE OF PAYMENTS. AS A CAPITAL IMPORTING AND EXPORTING COUNTRY, CANADIANS HAVE MUCH TO GAIN FROM A SECURE AND STABLE INVESTMENT REGIME AT HOME AND ABROAD.

UNDERPINNING ELIMINATION OF TARIFFS AND NON-TARIFF BARRIERS WILL BE THE RULES ON TRADE REMEDY LAW AND DISPUTE SETTLEMENT. I WANT TO EMPHASIZE THAT FOR CANADIAN PRODUCERS THIS IS A KEY PART OF THE AGREEMENT. IT IS WHAT WE CALL SECURITY OF ACCESS SO MANUFACTURERS AND INVESTORS CAN PLAN ON THE BASIS THAT THE GOODS THEY PRODUCE FOR TRADE IN NORTH AMERICA WILL BE AS FREE AS POSSIBLE FROM CAPRICIOUS AND ARBITRARY CHANGES IN THE TERMS OF ACCESS.

TRADE REMEDY LAWS ARE A LAWYER'S PARADISE: HIGHLY FORMALIZED AND LITIGIOUS, EXPENSIVE FOR DOMESTIC PRODUCERS AS WELL AS FOR EXPORTERS, AND UNPREDICTABLE AS TO RESULT. WHAT PRODUCER WANTS TO MAKE THE INVESTMENTS REQUIRED TO PRODUCE FOR THE NEW MARKETS OPENED UP BY THIS AGREEMENT IF HIS ACCESS CAN BE SUDDENLY CUT OFF BY ANTI-DUMP, COUNTERVAIL OR ESCAPE CLAUSE ACTIONS?

IN THE AGREEMENT, THE TWO GOVERNMENTS HAVE AGREED TO A UNIQUE DISPUTE SETTLEMENT PROCEDURE WHICH GUARANTEES THE IMPARTIAL APPLICATION OF THEIR RESPECTIVE ANTI-DUMPING AND COUNTERVAILING DUTY LAWS.

ADDITIONALLY, THE TWO GOVERNMENTS HAVE AGREED THAT ANY CHANGES IN EXISTING ANTI-DUMPING AND

COUNTERVAILING DUTY LEGISLATION WILL APPLY TO EACH OTHER ONLY FOLLOWING CONSULTATION AND IF SPECIFICALLY PROVIDED FOR IN THE NEW LEGISLATION. MOREOVER -- AND THIS IS THE SECOND KEY ELEMENT OF THE MECHANISM -- EITHER GOVERNMENT MAY ASK A BILATERAL TRIBUNAL TO REVIEW SUCH CHANGES IN THE LIGHT OF THE OBJECT AND PURPOSE OF THE AGREEMENT AND THE PARTIES' RIGHTS AND OBLIGATIONS UNDER THE GATT.

TO ILLUSTRATE HOW THESE DISPUTE SETTLEMENT PROVISIONS WOULD WORK IN A SPECIFIC CASE, LET'S LOOK AT LAST YEAR'S COUNTERVAILING DUTY INVESTIGATION OF CANADIAN SOFTWOOD LUMBER. THE ESSENTIAL ISSUE IN THAT CASE WAS WHETHER THE STUMPAGE PRACTICES OF THE CANADIAN PROVINCES CONSTITUTED A COUNTERVAILABLE SUBSIDY UNDER U.S. TRADE LAW. IN 1983, THE COMMERCE DEPARTMENT HAD UNDERTAKEN A THOROUGH INVESTIGATION OF THE ISSUE AND HAD DECIDED THAT CANADIAN STUMPAGE WAS NOT A SUBSIDY. IN 1986, THE SAME COMMERCE DEPARTMENT, ADMINISTERING THE SAME STATUTE AND INVESTIGATING THE SAME FACTS, REVERSED ITSELF AND FOUND THAT CANADIAN STUMPAGE WAS A COUNTERVAILABLE SUBSIDY.

AS YOU WILL RECALL, THIS REVERSAL WAS GREETED WITH OUTRAGE IN CANADA. GOVERNMENT SPOKESMEN DESCRIBED

THE COMMERCE DECISION AS "ARTIFICIAL, CONTRIVED AND WITHOUT FOUNDATION IN LAW". IT WAS THE VIEW OF MANY OBSERVERS THAT WHAT HAD CHANGED BETWEEN 1983 AND 1986 WAS NOT THE LAW OR THE LEGALLY RELEVANT FACTS, BUT RATHER THE POLITICAL ENVIRONMENT IN WHICH THE DECISION WAS MADE.

UNDER THE TERMS OF THE FREE TRADE AGREEMENT, EITHER COUNTRY WILL BE ABLE TO APPEAL ANY FUTURE DISPUTE LIKE THE SOFTWOOD LUMBER DETERMINATION TO A BINATIONAL PANEL COMPRISED OF BOTH CANADIAN AND AMERICAN EXPERTS. IF IT IS A DETERMINATION OF A UNITED STATES AGENCY, THE PANEL WOULD HAVE TO DECIDE WHETHER THAT DETERMINATION WAS IN ACCORDANCE WITH U.S. LAW. IF THE PANEL FOUND THE DETERMINATION WAS NOT IN CONFORMITY WITH U.S. LAW, THE CASE WOULD BE SENT BACK TO THE COMMERCE DEPARTMENT FOR A NEW DETERMINATION CONSISTENT WITH THE PANEL'S DECISION. SINCE THE PANEL HAS TO RENDER ITS DECISION WITHIN 90 DAYS, THE CANADIAN PARTY WOULD NOT BE FACED WITH THE PROSPECT IT NOW FACES OF WAITING FROM TWO TO FIVE YEARS FOR A FINAL DECISION IN THE EVENT IT EXERCISES ITS RIGHT OF APPEAL TO THE U.S. COURTS.

THE DISPUTE SETTLEMENT MECHANISM WILL GIVE CANADIANS THE ASSURANCE THEY HAVE BEEN SEEKING THAT



UNITED STATES OFFICIALS WILL IMPARTIALLY ADMINISTER U.S. TRADE LAW. THE APPLICATION OF TRADE LAW WILL BE EFFECTIVELY INSULATED FROM CONGRESSIONAL AND OTHER POLITICAL PRESSURES THAT SOME OBSERVERS BELIEVE PLAYED A CRUCIAL ROLE IN THE OUTCOME OF LAST YEAR'S SOFTWOOD LUMBER CASE.

AS TO THE FUTURE, ANY ATTEMPT BY THE CONGRESS TO ENACT LEGISLATION THAT WOULD CHANGE THE COUNTERVAILING DUTY LAW WITH RESPECT TO LUMBER OR ANY OTHER CANADIAN EXPORT WOULD ALSO BE SUBJECT TO DISPUTE SETTLEMENT PROCEDURES UNDER THE AGREEMENT. IF A PANEL FOUND THAT SUCH LEGISLATION WAS CONTRARY TO U.S. GATT OBLIGATIONS OR TO THE OBJECT AND PURPOSE OF THE FREE TRADE AGREEMENT, THE PANEL WOULD RECOMMEND THAT THE UNITED STATES AMEND ITS LAW TO BRING IT INTO CONFORMITY WITH THE AGREEMENT. IN THE EVENT THE CONGRESS REFUSED TO COMPLY, CANADA WOULD HAVE THE OPTION OF TAKING RETALIATORY ACTION OR OF WITHDRAWING FROM THE AGREEMENT.

WHILE I AM ON THE SUBJECT OF SOFTWOOD LUMBER, LET ME BRING YOU UP TO DATE ON RECENT DEVELOPMENTS AFFECTING THE EXPORT CHARGE THAT WAS IMPOSED LAST YEAR TO AVOID THE IMPOSITION OF COUNTERVAILING DUTIES. THE

AGREEMENT WITH THE UNITED STATES PROVIDES THAT IF THE CANADIAN PROVINCIAL GOVERNMENTS TAKE MEASURES WHICH EFFECTIVELY INCREASE THE AMOUNT OF STUMPAGE PAID, THE TWO FEDERAL GOVERNMENTS HAVE TO AGREE ON HOW TO VALUE THOSE CHANGES IN RELATION TO THE EXPORT CHARGE.

NOW THAT THE TWO LARGEST PROVINCES, BRITISH COLUMBIA AND QUEBEC, HAVE INTRODUCED MAJOR CHANGES TO THEIR STUMPAGE AND FOREST MANAGEMENT SYSTEMS, IT IS IMPORTANT THAT WE MOVE AS QUICKLY AS POSSIBLE TO REACH AGREEMENT WITH THE UNITED STATES ON THE VALUE OF THESE CHANGES, WITH A VIEW TO REDUCING OR ELIMINATING THE EXPORT CHARGE. IN THE EVENT ALL THE CONCERNED PROVINCES ARE UNABLE TO AGREE ON A COMMON APPROACH, THE FEDERAL GOVERNMENT AND THE UNITED STATES ADMINISTRATION ARE READY TO MOVE TO A SYSTEM OF DIFFERENTIAL PROVINCIAL RATES.

WE BELIEVE THAT THE CHANGES INTRODUCED BY BRITISH COLUMBIA SOME TWO MONTHS AGO JUSTIFY THE ELIMINATION OF THE EXPORT CHARGE FOR LUMBER PRODUCED FROM BRITISH COLUMBIA TIMBER. THIS IS THE POSITION WE WILL BE TAKING IN MEETINGS WITH THE UNITED STATES BEGINNING NEXT WEEK.

FOLLOWING THAT VERY BRIEF AND INCOMPLETE OUTLINE OF THE AGREEMENT I WANT TO ADDRESS AND EXPOSE FOUR IMPORTANT MYTHS OR MISCONCEPTIONS I HAVE HEARD BEING EXPOUNDED IN THE CURRENT DEBATE IN CANADA.

THE FIRST MISCONCEPTION IS THAT THE CANADIAN GOVERNMENT HAS BEEN STAMPEDED INTO THIS AGREEMENT BY PARANOIA ABOUT UNITED STATES PROTECTIONISM. IN OTHER WORDS IT IS ALLEGED THAT THE GOVERNMENT HAS MISCALCULATED THE SERIOUSNESS OF THE PROTECTIONIST THREAT IN THE USA AND HAS PLACED AN UNHARRANTED VALUE ON SEEKING SECURE ACCESS TO THE USA MARKET.

THE ARGUMENT RUNS LIKE THIS. THE CURRENT WAVE OF PROTECTIONISM IN THE UNITED STATES IS IN RESPONSE TO THE TRADE DEFICIT. THIS, IN TURN, IS THE RESULT OF AN OVERVALUED DOLLAR. NOW THAT THE DOLLAR HAS BEEN DEVALUED, THE TRADE DEFICIT WILL CORRECT ITSELF AND THE PROTECTIONIST THREAT WILL RECEDE. MOREOVER, SOME PUNDITS SAY THAT LAST MONTH'S TURMOIL IN THE FINANCIAL MARKETS HAS SPOOKED THE CONGRESS AWAY FROM PROTECTIONIST LEGISLATION.

IN MY OPINION, THIS ANALYSIS IS FALSE. THE TREND TOWARD PROTECTIONISM IN THE USA IS LONG TERM AND

INEXORABLE BECAUSE IT IS DRIVEN BY A FUNDAMENTAL CHANGE IN THE GLOBAL BALANCE OF ECONOMIC FORCES.

SO LONG AS THE UNITED STATES WAS THE WORLD'S PREDOMINANT ECONOMIC POWER AND ENJOYED A SUBSTANTIAL TECHNOLOGICAL ADVANTAGE OVER ITS RIVALS, IT WAS DRIVEN BY SELF-INTEREST AND MAGNANIMITY ALIKE TO PURSUE A POLICY OF LIBERAL TRADE. THE UNITED STATES IS STILL THE WORLD'S LARGEST RICHEST AND MOST DYNAMIC MARKET AND IS LIABLE TO REMAIN SO FAR THE FORESEEABLE FUTURE. BUT AMERICAN ECONOMIC AND TECHNOLOGICAL LEADERSHIP HAS NOW BEEN CHALLENGED ON THREE SUCCESSIVE FRONTS: FIRST, BY THE RESURGENCE OF A REVITALIZED EUROPE FROM THE ASHES OF WAR; SECOND, BY THE RISE OF AN EXTRAORDINARILY DISCIPLINED AND DYNAMIC JAPAN; AND THIRD, BY THE RECENT EMERGENCE OF THE NEWLY INDUSTRIALIZED COUNTRIES, PARTICULARLY ON THE PACIFIC RIM.

THE MASSIVE BUDGETARY AND TRADE DEFICITS OF THE LATE SEVENTIES AND EIGHTIES HAVE SHAKEN AMERICAN SELF-CONFIDENCE. AT THE SAME TIME, THE DECLINE OF MAJOR INDUSTRIAL SECTORS SUCH AS STEEL, AUTOMOBILES, TEXTILES AND MACHINE TOOLS, ONCE CONSIDERED THE HALLMARKS OF A MAJOR INDUSTRIAL POWER, HAS ALTERED AMERICA'S PERCEPTION OF ITS SELF-INTEREST.

THESE DEVELOPMENTS HAVE ALSO ALTERED THE VOCABULARY OF TRADE. WHEREAS ONLY A FEW YEARS AGO THE KEY WORDS WERE "FREE", "OPEN" AND "LIBERAL", THE CURRENT LEXICON DEMANDS "FAIR TRADE" ON "A LEVEL PLAYING FIELD". A REMARKABLY SIMILAR CHANGE IN OUTLOOK, VOCABULARY AND POLICY TOOK PLACE IN THE LATE NINETEENTH-CENTURY BRITAIN AS ITS EARLIER INDUSTRIAL AND COMMERCIAL ASCENDANCY GAVE WAY TO GROWING COMPETITION FROM GERMANY AND AMERICA, AND FREE TRADE GAVE WAY TO THE PROTECTIONIST SYSTEM OF IMPERIAL PREFERENCES.

THESE ECONOMIC CHANGES ARE REFLECTED IN THE POLITICAL ARENA. IN EARLIER DECADES, THE DEMOCRATS, THE FARMERS, THE UNIONS AND THE CONSUMERS FORMED THE BASIC FREE-TRADE COALITION. THE DEMOCRATS HAVE CHANGED THEIR STANCE, AS HAVE THE UNIONS AND, INCREASINGLY, THE FARMERS. THE OLD COALITION HAS SHATTERED. AS LAST YEAR'S CONGRESSIONAL ELECTIONS HAVE DEMONSTRATED YET AGAIN, THE DEMOCRATS REMAIN, GENERALLY SPEAKING, THE MAJORITY LEGISLATIVE PARTY, AND, OF COURSE, THEY NOW CONTROL BOTH HOUSES OF CONGRESS. AND THE DEMOCRATS' ELECTORAL BASE - THE NORTHEAST, THE SOUTH, THE MINORITIES, AND LABOUR - IS LIKELY TO CONTINUE THE POLITICAL PRESSURES ON THE PARTY IN THE DIRECTION OF PROTECTIONISM.

THE SECOND MYTH OR MISCONCEPTION PERMEATING THE DEBATE HERE IS THAT THE CHOICE FACING CANADIANS IS BETWEEN A FAMILIAR AND RELATIVELY COMFORTABLE STATUS QUO AND THE UNKNOWN OF FREE TRADE.

LADIES AND GENTLEMEN: THERE IS NO STATUS QUO. THE WORLD AS ALWAYS IS ON THE MOVE. THE ONLY DIFFERENCE IS THAT THE WORLD IS MOVING FAR, FAR FASTER NOW THAN EVER BEFORE. SO IT IS AN ILLUSION TO TALK ABOUT THE STATUS QUO. THE STATUS QUO IS A SLIPPERY SLOPE. THE STATUS QUO IS A TIGHTENING ROPE.

THERE ARE TWO ASPECTS OF THIS CHANGING WORLD THAT ARE VITALLY IMPORTANT TO THE FREE TRADE DEBATE. THE FIRST, TO WHICH, I HAVE ALREADY ALLUDED IS THE MOVE TOWARD EVEN GREATER PROTECTIONISM IN THE UNITED STATES. THE CURRENT OMNIBUS TRADE BILLS NOW BEFORE THE CONGRESS WOULD SUBSTANTIALLY RAISE PROTECTIONIST BARRIERS AGAINST CANADIAN AND FOREIGN PRODUCERS. I CANNOT PREDICT THE PRECISE TIME THAT A TRADE BILL WILL PASS OR TELL YOU EXACTLY WHAT WILL BE IN IT, BUT I REGARD IT AS MORE LIKELY THAN NOT THAT AN OMNIBUS TRADE BILL WHICH WILL SIGNIFICANTLY INCREASE CURRENT LEVELS OF PROTECTION IN MANY AREAS OF CRITICAL INTEREST TO CANADA WILL BE PASSED WITHIN THE NEXT TWO YEARS.

THE OTHER WAY IN WHICH THE STATUS QUO IS CHANGING RELATES TO CANADA'S COMPETITIVE POSITION IN THE WORLD. I HAVE ALREADY REFERRED TO HOW THE CHANGE IN GLOBAL ECONOMIC FORCES IS AFFECTING THE U.S. ECONOMY. THE EFFECT ON CANADA IS NO LESS PRONOUNCED, EVEN IF THE DETAILS VARY.

GLOBAL TECHNOLOGICAL AND ECONOMIC DEVELOPMENTS MEAN THAT CANADA'S RESOURCE BASE CAN NO LONGER FINANCE THE MAINTENANCE OF AN INEFFICIENT MANUFACTURING ECONOMY SHELTERING BEHIND HIGH TARIFF WALLS. CANADIAN MANUFACTURERS HAVE REALIZED THAT THEY CAN NO LONGER PROSPER FROM THE DOMESTIC MARKET ALONE. THEY NEED SECURE AND FREE ACCESS TO LARGER MARKETS, ESPECIALLY THE U.S. MARKET, TO INVEST TO ACHIEVE ECONOMIES OF SCALE AND SPECIALIZATION.

THE THIRD MYTH OR MISCONCEPTION IN CANADA IS THAT THE MULTILATERAL TRADE NEGOTIATIONS UNDER GATT AUSPICES AND BILATERAL TRADE DEALS WITH THE UNITED STATES SOMEWHAT REPRESENT ALTERNATIVES, INDEED, INCOMPATIBLE ALTERNATIVES. NOTHING COULD BE FURTHER FROM THE TRUTH. REGIONAL FREE TRADE AREAS SUCH AS THE EUROPEAN COMMUNITY AND THE CANADA-UNITED STATES

AGREEMENT ARE FULLY SANCTIONED UNDER ARTICLE XXIV OF THE GATT.

BY FAR THE GREATEST BENEFIT CANADA HAS OBTAINED FROM SUCCESSIVE GATT ROUNDS HAS BEEN IMPROVED TERMS OF ACCESS TO THE U.S. MARKET. AT THE SAME TIME, IN SPITE OF THE MULTILATERAL TRADE ROUNDS, CANADIAN ACCESS TO EUROPEAN MARKETS HAS BEEN PROGRESSIVELY ERODED BY THE ERECTION OF A TRADING BLOC CENTRED ON THE EUROPEAN COMMUNITY. AND CANADA'S ACCESS TO THE JAPANESE MARKET CONTINUES TO BE EFFECTIVELY RESTRICTED TO LARGELY UNPROCESSED FOOD AND RAW MATERIALS, AGAIN IN SPITE OF THE GATT ROUNDS.

IT WOULD BE FOOLHARDY FOR CANADIANS TO CLOSE OUR EYES TO THESE DEVELOPMENTS AND TO RELY EXCLUSIVELY ON A MULTILATERAL TRADING SYSTEM WHOSE EFFECTIVENESS IS UNFORTUNATELY ERODING AND WHOSE UNDERTAKINGS AND DISCIPLINES ARE TOO GENERALIZED, TOO VAGUE AND TOO NARROW IN SCOPE TO PROVIDE AN EFFECTIVE BRAKE TO U.S. PROTECTIONISM.

IT WOULD BE THE HEIGHT OF FOLLY FOR A COUNTRY WHICH SENDS MORE THAN 75 PER CENT OF ITS EXPORTS AND WELL OVER A QUARTER OF ITS TOTAL PRODUCTION TO A SINGLE



MARKET TO RELY EXCLUSIVELY ON A LOOSE MULTILATERAL MECHANISM IN WHICH ITS INTERESTS RISK BEING TRAMPLED IN STRUGGLES AMONG THE ECONOMIC SUPERPOWERS.

THE FOURTH MYTH I HEAR ABOUT THE AGREEMENT IS THAT IT WILL RESULT IN A LOSS OF CANADIAN SOVEREIGNTY OR INDEPENDENCE. I REGARDED THIS ARGUMENT AS FALSE ON SEVERAL DIFFERENT LEVELS.

IF WE ARE TALKING ABOUT CULTURE, THE AGREEMENT SPECIFICALLY EXEMPTS THE CULTURAL SECTOR FROM THE PROVISIONS OF THE AGREEMENT. THIS MEANS THAT THE NORMAL DISCIPLINES DO NOT APPLY AND THAT THE CANADIAN GOVERNMENT IS FREE TO TAKE SUCH MEASURES AS IT SEES FIT TO SUPPORT AND PROMOTE THE DEVELOPMENT OF THE CULTURAL SECTOR, CONSISTENT WITH OUR GENERAL INTERNATIONAL OBLIGATIONS.

IN THIS CONNECTION IT IS WORTH NOTING THAT DURING THE 1960'S AND 1970'S, WHEN CANADA'S ECONOMY BECAME INCREASINGLY INTERTWINED WITH THAT OF THE UNITED STATES, CANADIAN CULTURAL EXPRESSION HAS BLOSSOMED AS NEVER BEFORE. THERE IS NO EVIDENCE THAT THIS TREMENDOUS OUTBURST OF CREATIVITY IN ALMOST ALL THE ART FORMS IN

CANADA HAS BEEN DAMPENED BY THE GROWING COMMERCIAL LINKS BETWEEN THE TWO ECONOMIES.

IF BY INDEPENDENCE WE ARE TALKING ABOUT THE RIGHT OF CANADIANS TO MAINTAIN THE UNIQUE SET OF SOCIAL SUPPORT MEASURES SUCH AS MEDICARE, UNEMPLOYMENT INSURANCE, AND THE CANADA PENSION PLAN, NOTHING IN THE AGREEMENT PREVENTS THE CANADIAN GOVERNMENTS FROM MAINTAINING THESE PROGRAMS.

IF WE ARE TALKING ABOUT POLITICAL INDEPENDENCE, NOTHING IN THE AGREEMENT AFFECTS OUR CAPACITY TO MAINTAIN OUR OWN POLITICAL SYSTEM OR FOREIGN POLICY. ON THE CONTRARY, A GROWING AND VIBRANT ECONOMY WILL STRENGTHEN OUR CAPACITY TO MAKE INDEPENDENT DECISIONS THAT WILL BE HEARD AND TAKEN ACCOUNT OF IN THE INTERNATIONAL ARENA. NOTHING WOULD SO UNDERMINE OUR CAPACITY TO CONTROL OUR OWN POLITICAL DESTINY AS WOULD A PROTECTED, WEAK AND PROGRESSIVELY LESS PROSPEROUS ECONOMY.

WE SHOULD NOT LOSE SIGHT OF THE PROXIMITY OF THE AMERICAN BORDER OR THE ATTRACTION THAT LIFE IN WARMER CLIMES HAS ALWAYS HELD FOR SOME CANADIANS. THERE HAVE BEEN PERIODS IN OUR HISTORY WHEN CANADA HAS

SUFFERED SEVERELY FROM A BRAIN DRAIN TO THE UNITED STATES. WE RUN A REAL RISK OF LOSING THE BRIGHTEST AND BEST OF OUR YOUNGER GENERATION IF THE DIFFERENCE BETWEEN THE STANDARD OF LIVING IN THE TWO COUNTRIES IS ALLOWED TO SIGNIFICANTLY BROADEN AS A RESULT OF MAINTAINING A SMALL PROTECTED MARKET THAT INHIBITS ECONOMIC INNOVATION, GROWTH AND PROSPERITY. SUCH A RESULT IS UNLIKELY TO ENHANCE OUR SOVEREIGNTY, HOWEVER THAT ELUSIVE CONCEPT IS DEFINED.

IF FREE TRADE RESULTS IN A LOSS OF SOVEREIGNTY, ASK THE NEW ZEALANDERS HOW THEY ARE MAKING OUT WITH AUSTRALIANS, OR THE AUSTRIANS OR SWEDES WHETHER THEY HAVE BEEN TAKEN OVER BY THE OTHER MEMBERS OF THE EUROPEAN FREE TRADE AGREEMENT. EVEN IN THE EUROPEAN COMMUNITY, WHERE A MEASURE OF POLITICAL INTEGRATION HAS BEEN CONSCIOUSLY UNDERTAKEN, ONE NEVER HEARS THE DANES OR THE DUTCH COMPLAIN THAT THEIR CULTURE IS BEING TEUTONIZED OR ANGLICIZED AS A RESULT OF A COMMON COMMERCIAL MARKET.

THE AGREEMENT INITIALLED EARLIER THIS MONTH WAS AN IMPORTANT ACHIEVEMENT, BUT THERE ARE STILL MANY HURDLES TO JUMP BEFORE IT COMES INTO FORCE.

IF WE LOOK OUT ACROSS THE PACIFIC, WE SEE THAT THE REST OF THE WORLD IS NOT STANDING STILL. CANADIANS CANNOT AFFORD TO REST ON OUR LAURELS IF WE WISH TO SURVIVE AND PROSPER IN THE YEARS TO COME.

NOWHERE IS THE CHALLENGE AND OPPORTUNITY GREATER THAN HERE IN BRITISH COLUMBIA WITH ITS OUTWARD LOOKING, EXPORT ORIENTED ECONOMY. THIS AGREEMENT REPRESENTS AN HISTORIC OPPORTUNITY FOR BRITISH COLUMBIANS AND FOR ALL CANADIANS TO MAXIMIZE OUR ECONOMIC POTENTIAL AS WE ENTER THE TWENTY-FIRST CENTURY. DON'T MISS IT.