

Statement

Minister for
International
Trade



Discours

Ministre du
Commerce
extérieur

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NOTES FOR AN ADDRESS BY THE
MINISTER FOR INTERNATIONAL TRADE

JOHN C. CROSBIE

FOR THE DEBATE ON THIRD READING

OF BILL C-130

(LEGISLATION TO IMPLEMENT THE
CANADA-U.S. FREE TRADE AGREEMENT)

OTTAWA

August 29, 1988

Mr. Speaker,

I am a proud Canadian. I stand in a line of proud Canadians who have sought to secure for the people of Canada the benefits of Free Trade with the United States.

For over a century, leaders of Canadian governments have sought to secure those benefits. Then, as now, the Opposition of the day rose in a chorus that Canada's sovereignty, Canada's very nationhood was imperilled by Free Trade with the United States.

Those that oppose Canada-U.S. free trade...what Sir Wilfrid Laurier in 1911 called the "freaks of unreasoning passion" ...cry out that you are not a true Canadian, you are someone willing to sell out your country, if you are for Canada-U.S. Free Trade.

Were those leaders of the colony of Canada any less Canadian for entering the reciprocity treaty with the United States in 1854? Who would claim that Canada was diminished or weakened as a result of this initiative. The opposite is true.

Were Sir John A. Macdonald and after him Alexander Mackenzie failing to serve Canadian interests for seeking to renew reciprocity with the United States in the 1870's? No, they were not.

Was Sir Wilfrid Laurier putting in peril the very idea of Canada when he campaigned in 1891 on "unrestricted reciprocity" with the U.S. and when he reached an agreement for this in 1911? No, he was not.

Were Canadian governments doing anything other than acting in the national interest in the 1930's when they entered two Canada-U.S. trade agreements to reduce tariffs? Did Canada become any less Canada as a result of these agreements?

Lester Pearson, denounced in 1965 for selling out Canada's auto industry. He went ahead anyway and signed the Autopact. He understood the difference between Opposition politics of calculated hysteria and Canada's national interest.

All these Canadian leaders sought the same thing - to give Canadians the opportunity to sell freely abroad and thereby build prosperity at home.

Mr. Speaker, the effort of successive Canadian governments to strengthen Canada by putting our trade relationship with the United States on a secure and equal footing is not new. And the Opposition strategy seeking to obscure this objective by encouraging unfounded fears about a loss of sovereignty is not new either.

When trade barriers have been lowered between Canada and the U.S., have Canadians been "hosed, harmonized and homogenized"? That's what the Leader of the Opposition says will happen if the barriers come down today.

Historically, the exact opposite is true. Since World War II, successive Canadian governments have pursued policies that have decreased trade barriers and those same governments have created the modern social safety net, pursued regional development and supported our cultural industries.

King, St. Laurent, Diefenbaker, Pearson did not see any contradiction between tariff reduction, increased exports to the U.S. and domestic social and regional development policies to build a strong and unique Canada. There is no contradiction.

From 1947 to 1986, merchandise exports to the U.S. (in 1986 dollars) grew from just over \$7 billion to almost \$94 billion, an increase of over 1,225%.

The welfare of Canadians has increased tremendously during this period.

- per capita gross domestic product (in 1986 dollars) grew from \$7400 to almost \$20,000, an increase of almost 170%.
- total employment grew from 4.8 million to 12.3 million, up 155%, with manufacturing employment rising by 88.7%.
- public expenditures on education increased from \$147 to \$1237 per capita (in 1983-84) in real terms.
- public expenditures on health care increased from \$54 to \$1211 per capita (in 1985) in real terms.
- direct financial benefits under social security programs rose to almost \$50 billion in 1985, from \$3.83 billion in 1947 for all "public welfare" programs, including health.

More open competition with the U.S. has led to economic growth and a dynamic, distinctive Canada. The past four decades of getting closer and closer to Free Trade with the U.S. has made us no less compassionate as a society, no less progressive as a nation, no less Canadian.

The Canada-U.S. Free Trade Agreement will sustain and strengthen that growth and development.

But history and statistics, the plain facts, aren't of much interest to the Opposition. Their approach is simple - level the charge...sometimes directly, sometimes by innuendo ... that if you are for Free Trade you are selling out Canada's sovereignty.

- Is Brian Peckford a man who would sacrifice his people's future?
- Is John Buchanan a man who would sell out his province or his country?
- Is Frank McKenna a man so narrow of vision that he would not stand fast against a peril to our nationhood?
- Is Robert Bourassa a man willing to deliver the future of Quebec into the hands of a foreign country?
- Are the four Western premiers men who would falter when the good of their province and country hung in the balance?

Are these eight premiers not sincerely seeking the good of their country by choosing to support the Free Trade Agreement? Yes, they are, every one of them.

Yet the Leader of the Opposition travels from one end of this country to the other, and will soon stand again in this House to proclaim that the Free Trade Agreement is the Sale of Canada Act. And the Leader of the New Democratic Party will repeat his charge that the "very idea of Canada" is in peril.

But the issue of Free Trade with the United States is not about who is and who is not a good Canadian. It is not about whether or not to sell out your country. It is not about imperilling the "very idea of Canada". It is about the rules of commercial trade.

Here's what Premier Bourassa had to say:

"Mr. Broadbent should know we're not talking about the sovereignty of Canada...how could you seriously say that Canadian sovereignty is at stake when we want to protect Canadian markets in the U.S.?"

Here's what Gerald Regan, former Trade Minister under Mr. Trudeau and former Premier of Nova Scotia, had to say:

"I believe the greatest assurance of protection of our sovereignty, of our culture, is the maintenance of a strong economy, and Free Trade with the greatest market on earth gives an opportunity to strengthen our economy that any other country on earth would give their eye teeth to have."

And, what about business, the exporter, the resource and manufacturing and service industries that are the creators of wealth and employment in Canada? Where do they stand on the Free Trade Agreement?

- The Canadian Federation of Independent Business supports Free Trade
- The Quebec Conseil du Patronat supports Free Trade
- The Consumers Association of Canada supports Free Trade
- The Canadian Council for International Trade supports Free Trade
- The Canadian Export Association...do they know something about exports that the Opposition does not?...They support Free Trade
- Mining associations, forestry associations, fisheries associations, many agricultural associations, energy associations, service industry associations, and manufacturers associations, scores of them from coast to coast, support Free Trade.

The people in the market place, competing every day, seeking new opportunities, those that understand the realities of international trade, those with the practical experience, they support Free Trade. Do they want to sell out Canada? No, they want to strengthen Canada and they believe the Free Trade Agreement will do that.

The Leader of the Opposition when he was asked by the New York Times about business people who are saying, "John, you're on the wrong side of history", replied,

"The business organization that has been most vocal in strongly supporting this trade deal has been the Business Council on National Issues, and a considerable percentage of their members are American-owned."

Again, we see the innuendo, they can't be true Canadians if they support Free Trade.

Well, the Leader of the Opposition was wrong, as he has been so often in the Free Trade debate. As the Business Council pointed out to him in an open letter, over 90% of assets and about 75% of the control of member companies are in Canadian hands. The letter signed by David Culver, Chairman of Alcan, Alfred Powis, Chairman of Noranda, and Thomas d'Aquino (in their capacity as officers of the Business Council) went on to point out that:

"By embracing the rule of law, the [Free Trade Agreement] offers Canadians greater security and opportunity...in our books that is a plus for sovereignty."

Mr. Speaker, these are responsible spokesmen for Canadian business and they deserve to be treated as such.

Let me add one more quote from a respected business leader. In a recent letter the President of the Canadian Manufacturers Association, Laurent Thibault said:

"[The] CMA's support for the [Free Trade] Agreement represents a dramatic change for this association. Historically, Canadian manufacturers have been among protectionist voices. However, the world economy has changed dramatically and we must change with it.

"The new trading environment created by the FTA obviously poses great challenges to Canadian manufacturers, but the consensus among our members is that the FTA is a necessary strategic step that will help achieve our long-term objective of becoming globally competitive."

That is what the Free Trade Agreement is all about, Canada becoming more competitive in all export markets.

Why is Free Trade with the U.S. important for Canada's position as an exporter globally? As the MacDonald Royal Commission pointed out, Canada is the only major industrialized country without secure access to a market of at least 100 million people.

The United States and Japan have it. The countries of the European community have it. And for Canada to continue to develop world class enterprises, capable of competing and winning against the best in the world, we need it too.

The Opposition is dismissive of the gains we have made in achieving more secure and enhanced access to the U.S. market. But those directly involved in the day to day business of exporting know better.

They know that access will be improved because:

- tariffs will be phased out,
- better rules of origin will be put in place,
- national treatment will be extended to Canadian businesses in the U.S.,
- non-tariff barriers such as discriminating product standards will be reduced,
- access to federal government procurement will be improved,
- certain service industries will gain freer access to the U.S. market, and
- temporary entry for business people and service personnel will be made easier.

They know that access will be made more secure because:

- the AutoPact will be reaffirmed,
- "safeguards" actions by the U.S. will not apply to Canada if the problem arises from a third country... what the experts call "no sideswipe",
- "safeguards" actions against Canadian producers will be subject to binding dispute settlement,

- countervail and anti-dumping actions will be subject to binding dispute settlement, and
- other trade disputes will be dealt with through a formal dispute settlement procedure under the Canada-U.S. Trade Commission.

The Opposition says that binding dispute settlement is of no value, we are better off without it. Here's what Gordon Cummings, President of National Sea Products had to say about the current situation and how binding dispute settlement will improve it:

"[At present] we find that the U.S. political lobbyists have been hard at work; that the [United States Trade] Commission is judge, jury and prosecutor in one; that we stand guilty unless we can prove ourselves innocent ...

"What the Free Trade Agreement can and will do is stop the frivolous U.S. actions, the bullying and the pre-judgement that has hurt the Atlantic Fishery (and some other sectors I can't claim to speak for, like lumber, potash, pork and tires). I have no reservations in speaking for myself and for National Sea Products when I say we welcome the dispute settlement mechanism outlined in the Free Trade Agreement. And nothing has shaken my strong impression that the rest of the Atlantic Canadian fishing industry feels the same way."

That is the assessment of a senior spokesman for an industry that in recent years has faced six countervail actions and two anti-dumping actions. Other businesses agree. Do they know something the Opposition does not?

Binding dispute settlement was a key objective for Canada in the negotiations. It constitutes an important shield against U.S. protectionism.

As Ambassador Alan Gottlieb has said:

"The U.S. political system is well adapted to allowing the 'losers' to seek protection... this is an age of special interests. The [U.S.] legislative agenda is now run largely by committee and sub-committee chairmen...beyond the control of any President. They interact with highly motivated, handsomely financed special interest groups, seeking legislative fixes to their problems."

Mr. Speaker, those "fixes" for U.S. industry are protectionist measures directed, among other countries, against Canada.

Ambassador Gottlieb went on to say:

"The Free Trade Agreement will go a long way to substituting the rule of law for the politics of protectionism. For the smaller partner in the world's largest bilateral trading relationship, that will be a very significant achievement."

Mr. Speaker, that is what the Free Trade Agreement is all about, long-term solutions, based on reciprocal principles not raw political and economic power. Not only our security of access but also our sovereignty is strengthened by placing trade relations with the U.S. on the basis of equally-binding legal principles.

Security of access means preserving Canadian jobs in industries that might be threatened in the future. It also means creating new jobs in Canada because of our more secure access to the United States market.

Alasdair McKichan, President of the Retail Council of Canada said:

"There are a lot of investments, mostly European, waiting to be made in Canada once the Free Trade Pact is in force. Canadian companies are also waiting for the Free-Trade outcome before investing in their own operations."

And what of the Opposition's charge that the Free Trade Agreement will mean that we are turning our backs on other markets such as the Pacific Rim and Europe? Here's what the Economic Council of Canada had to say:

"Many believe that freer trade and expanded trade with the United States precludes expanded trade with other countries. There is no logical basis for this view. In fact, expansion of our export sector to serve U.S. customers could well facilitate the economies of scale needed to reach more distant markets."

Mr. Speaker, that is the case for the Free Trade Agreement. It will benefit every region of Canada, it will create jobs and increase investment, it will make Canada stronger, and it will help Canada to continue its development as a compassionate, dynamic and distinctive society.

While simple in its principles, the Free Trade Agreement is complex in its application. It has to be complex because it is comprehensive. The second major line of criticism offered by the Opposition -- after claiming that the Free Trade Agreement sells out the country --- is to take that complexity and to distort and misrepresent specific provisions.

There is not time for me to deal with all of the Opposition's distortions and misrepresentations. My Colleagues, speaking for the government, will address many of them. I will deal only with four.

The first is the Quebec Stock Savings Plan. Three weeks ago the Leader of the Opposition stood in this House and charged that the Quebec Stock Savings Plan was inconsistent with the national treatment provisions of the Free Trade Agreement. He was wrong.

On August 17, he rushed down to Quebec City to try to patch things up with Premier Bourassa. After their meeting, Premier Bourassa said that he would intervene in the next federal election only where he felt it necessary to correct mis-statements regarding the Free Trade Agreement. He may be pretty busy.

Chastened, but unwilling to let the point go, the Leader of the Opposition said that future stock savings plans would be barred. Wrong again. The Investment Chapter of the Agreement applies only to direct investment, not portfolio investment. The Leader of the Opposition should read the definition of "investment" on pages 240 and 241 of the Agreement. Stock savings plans, present or future, in Quebec or elsewhere, simply aren't covered by the Agreement.

The second is employment in fish processing. In Newfoundland, on August 18, the Leader of the Opposition charged that Atlantic fish processing jobs are threatened by the Free Trade Agreement. Wrong. Article 1203 of the Agreement specifically excludes controls on the export of un-processed fish by Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island and Quebec.

The Leader of the Opposition pointed to the fact that both Canada and the United States retain the GATT rights they had before we entered the Free Trade negotiations. So they do, but in its statement of administrative action, the U.S. has indicated that it will not challenge existing Atlantic fish processing regulations under GATT.

Atlantic fish processing jobs were never threatened and are made more secure by the FTA.

And, the Presidents of the two largest fish processing companies on the East Coast, Vic Young of Fisheries Products International and Gordon Cummings of National Sea Products, have said time and again that the Free Trade Agreement will lead to more, not fewer jobs, in fish processing. Do they know something the Leader of the Opposition doesn't?

Third is what I call the "harmonization hoax". The Leader of the Opposition and the Leader of the New Democratic Party have charged that we will be compelled to bring social programs into line with those in the U.S. and we'll have to abandon regional development.

They point to more open competition between Canadian and U.S. firms as a cause. But that myth is exploded by the facts I gave earlier on the growth since World War II of social programs and regional development at the same time that trade barriers were being reduced between Canada and the United States.

They point, as well, to the negotiations over the next five to seven years on countervail and anti-dumping. Anti-dumping is about selling goods for less in the other country's market than in your own, so that can't be the problem. They point to countervail.

The nature of countervailing duties... which we use as well as the United States... is to protect a domestic industry from significant harm caused by unfair subsidies given to foreign companies exporting into your market. That means things like direct export subsidies, for example, if Canada paid widget producers 50c for every \$1 widget they exported to the U.S. It's not about Medicare or Childcare or Old Age Pensions or family allowance or any social program. Nor is it about regional development programs of general application.

We want to achieve a clear set of rules for countervail that will prevent the kind of politicized decision-making that we saw in the U.S. on the softwood lumber case. Binding dispute settlement is our main line of defence against those politicized decisions while the rules of countervail are reviewed.

And, if the Americans were to suggest at some time over the next five to seven years some distorted approach to the issues, we would say no. It's that simple.

The fourth misrepresentation is what I call the "hijacking of the GATT". The Opposition claims that the Free Trade Agreement undermines the multilateral trading system that is so important for Canada's access to global markets. That's simply not true.

This government has followed a two-track policy in trade negotiations, bilaterally with our largest trading partner the U.S. and multilaterally through the GATT. We have achieved success in our bilateral negotiations with the U.S. and we are hopeful of a successful outcome in the multilateral trade negotiations, though these are far from complete.

GATT Article XXIV specifically provides for Free Trade Agreements between member countries. The Canada-U.S. Free Trade Agreement comes within the provisions of GATT Article XXIV.

As the Secretary General of the GATT organization, Arthur Dunkell, has said, the Free Trade Agreement "will in no way hinder" each country's trading obligations with the rest of the world.

And in June, in Toronto, the seven leaders at the Economic Summit, including our largest trading partners in Europe and Asia, "strongly welcomed" the Free Trade Agreement and noted the contribution it should make toward success in the multilateral trade negotiations.

Let me give the last word on the nature of the Opposition's criticisms to a Liberal Senator, George van Roggen, one of the most experienced and knowledgeable individuals on trade matters in Parliament.

"I think if it weren't for the verbal terrorism of the [Free Trade] Opposition frightening people to death, the man in the street would be instinctively in favour of [The Free Trade Agreement]. That's the trouble here, the proponents are stuck with trying to explain a difficult legal trade document while the opponents can sit back and make the most outrageous statement by pushing the right emotional buttons."

Senator van Roggen is right, all the way from the "Sale of Canada", to imperilling "the very idea of Canada", to the FTA "representing a fundamental change in the direction of the country" stocks savings plans, to fish processing, to harmonization, to undermining the GATT, to fabricated issues like blood and water, the Opposition has taken the low road, it has chosen to distort rather than debate the issues.

Mr. Speaker, the Leader of the Opposition wants to tear up the Free Trade Agreement and the Leader of the NDP wants to tear it down. What do they say they will do instead?

The most recent Liberal proposal was presented by the Opposition Leader to Premier Bourassa during his ill-starred visit to Quebec on August 17. But Premier Bourassa wasn't buying, he continues to support the Free Trade Agreement.

This latest Liberal proposal replaces one announced with much fanfare on June 13 by the member from Winnipeg-Fort Garry. No one was buying that one, either.

The latest plan has five points, three relating to trade, one relating to international monetary policy and one relating to domestic policy. The three trade elements constitute the so-called Liberal alternative to the Free Trade Agreement.

First, there is the GATT, which the Liberals hope to improve, especially the GATT dispute settlement mechanism. So do we. In this regard we and Liberals are in agreement. And Canada has taken a lead role in the working group now seeking to improve dispute settlement under GATT.

But as Peter Bentley, Chairman of Canfor, the B.C.-based forestry firm pointed out:

"We have no assurance when the [current] Uruguay Round of GATT [negotiations] will be completed. It could take years. In the meantime, we could find ourselves in the embarrassing position of all being unemployed and bankrupt if U.S. protectionism prevailed before this event took place."

And, as Premier Bourassa has said:

"[T]here is no contradiction between having multilateral trade and having a Free Trade Treaty with the United States."

Mr. Speaker, Canada can and should have the benefits of both bilateral and multilateral trading arrangements.

Second, the Liberals say they will seek sectoral Free Trade Agreements with the U.S., not a comprehensive Free Trade Agreement as has been negotiated. This is something new, it didn't appear in the Liberal alternative released by the member from Winnipeg-Fort Garry. Perhaps he can explain his conversion between June and August when he speaks in this debate.

The sector by sector approach was tried in 1983-1984. It didn't work. The U.S. wanted to negotiate in sectors where they believed they had an advantage, Canada wanted to negotiate in sectors where it had an advantage. The same problems would face any future attempt at sectoral negotiations, if you could interest the U.S. in the idea at all, which seems very unlikely.

An additional problem is that without special permission from other member states, the GATT doesn't allow sectoral Free Trade agreements between members, only comprehensive agreements, like that we have negotiated with the U.S.

Gerald Regan was Trade Minister when the sector by sector approach was tried and failed in 1983-84. Here's what he had to say last December about that approach and the Free Trade Agreement:

"When I was a member of Mr. Trudeau's government, I recognized the importance of obtaining better guarantees of access to the vital American market...I have come to the conclusion that the present Free Trade project is a more meaningful, courageous and important undertaking...more important than our limited negotiations [in 1983-84]".

The third element of the latest Liberal plan is to emphasize trade with Europe and the Pacific Rim. Who can disagree with that? In fact, this government in its 1985 National Trade Strategy established a major new initiative directed towards the Pacific, including opening new trade offices in Osaka, Shanghai, Bombay and Auckland. Partly as a result, trade with Japan is surging, now accounting for \$15 billion a year. And the recent dramatic rise in our exports to Japan has re-established our trade surplus with that vital trading partner.

But, the idea that Canada can increase trade with other countries to substitute for trade with the U.S. runs counter to the plain facts of commerce and geography. Mr. Deifenbaker wanted to increase our share of trade with Britain instead of the U.S. It didn't work. Mr. Trudeau's third option of the early 1970's was supposed to direct us away from the U.S. to overseas markets. It didn't work.

The sensible goal, one that this government is following, is to pursue a balanced trade strategy, seeking new markets wherever there is an opportunity to do so. That's just common sense.

The Liberal "alternative" to the FTA is not an alternative at all. It ignores the threat of U.S. protectionism, it expresses high hopes for what the multilateral trade negotiations may be able to achieve (if the 95 member states agree) and it ignores the benefits (in terms of security of access and dispute settlement) achieved under the Free Trade Agreement.

Here's what the Ottawa Citizen had to say about it:

"The five point plan the Liberal Leader would implement as Prime Minister would replace the Free Trade deal with a rehash of tried and failed policies and motherhood statements about improving the international economy."

La Presse was equally harsh:

"The Turner alternative is nothing more than an unrealistic mumbo-jumbo of mercantilism and unthinking optimism."

The key to understanding the so-called Liberal alternative is contained in the words of the member from Montreal-Ste. Marie:

"This thing wasn't dreamed up overnight... it was worked out after a lot of thought; we relied heavily on findings of various public opinion polls."

Do the people of Canada want to place their trust in a national party that designs its trade strategy based on opinion polls instead of analysis of what exporters need to get the job done? Do they want to place their trust in a national party that cooks up two trade alternatives in less than three months?

Mr. Speaker, I have one more topic I wish to address in this debate. It is the conduct of the Opposition parties in Parliament in seeking to block the Free Trade Agreement.

The NDP have obstructed the process of this House at every step. Bill C-130 was held up for three weeks on specious procedural grounds. Debate in this House was delayed by recorded votes on first reading of NDP Private Members Bills for such matters as naming hockey as Canada's National Sport or marking the anniversary of the signing of Magna Carta.

All this time the NDP were proclaiming they were prevented from serious debate on the Free Trade Agreement. And when they were asked how much time they wanted for Report Stage and Third Reading, along with the Liberals they said 350 days, more time than is left in the life of this Parliament.

Nonetheless, the NDP stayed within the rules of the Parliament, however much they may have misused them. Unlike the Liberals, they did not resort to corruption of the conventions of the Constitution and Parliament.

The Leader of the Opposition returned to political life in 1984 offering himself as the man of principle, who would bring much-needed change to the nation by his leadership. He was going to sweep away the old gang from the Trudeau years and bring a fresh, new approach to the Liberal Party of Canada.

Where is he today? He is back in the hands of the politicians and back-room boys placed in the Senate at the behest of the Prime Minister he succeeded. He has fallen into the same tactics of trading in fear that they used in the 1974 Election when they said "Zap, you're frozen" on the campaign trail and instituted wage and price controls once in office.

And he has sunk to the level of calling on Senators to abandon their conventional role under the Constitution, in the pursuit of partisan advantage. Are Liberal Senators giving sober second thought or representing regional interests when they agree to obey the direction of an Opposition Leader to block an initiative that the House of Commons will approve?

The arrogance of the Trudeauocrats knows no bounds. Defeated at the polls, they seek to rule from the Senate and can seek to do so given the Liberal majority there for at least two more decades. The responsibility, however, is not ultimately theirs, it rests with the Leader of the Opposition for falling in with their schemes.

Mr. Speaker, the Opposition has played on Canadians' fears. But Canadians are more confident and more capable of seeing through the distortions and misrepresentations spun by the Opposition than the Opposition believes. Canadians are bigger than the Opposition's fears.

A government is elected to provide leadership to the nation in the face of changing circumstances and emerging opportunities. This government has provided that leadership in seeking and achieving the Free Trade Agreement with the United States.

This government is proud of its record, and we are confident that when Canadians are called on to decide in an election, they will support this government and the Free Trade Agreement.