

Statement

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CHECK AGAINST DELIVERY

"THE FREE TRADE AGREEMENT AND CANADA"

SPEECH BY THE

RIGHT HONOURABLE JOE CLARK,

SECRETARY OF STATE FOR EXTERNAL AFFAIRS,

TO THE STANDARDS COUNCIL OF CANADA

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Secretary of State
for
External Affairs

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Canada

I want to talk about some changes in the world, and how we are responding to them - changes on three continents.

First, Asia. Half of the world's population is there - and its proportion is growing. They have learned to produce and trade in modern conditions. You know the impact of Japan, and the competition coming from the four tigers - Korea, Taiwan, Singapore and Hong Kong. But consider what will happen when those methods and that model are adapted by India, and by China. There are immense markets there, and real and growing competition. Those present great opportunities for Canada, if we reach out to seize them.

In Europe, the Community is moving steadily toward a unified single market by 1992 - a market the size of the United States. Over 300 laws are being changed. So are countless regulations. The challenge is to ensure that this new European market remains fully open to us, and that we rise to the opportunities of the competition that the new Europe provides.

In North America, we have negotiated a Free Trade Agreement between the two largest trading partners in the world. That is more than an agreement between two countries. It sends a signal to the wider world that protectionism is a dead end street, and that the future lies in more open markets.

Those changes are not confined in one continent. They are occurring everywhere in the trading world, and their effects have the most profound consequences. Part of what is driving Mr. Gorbachev is his recognition that the Soviet economy won't work in this modern world. Changes are occurring everywhere, and the challenge of modern economies is to stay on top of the change. That is a compelling reality for Canada, because we have always depended upon trade to grow, and because we are so open to the world.

Of course, we have a choice in Canada. We can choose to ignore what is happening in Asia and in Europe and in the United States. But the price would be to fall steadily behind.

In that context, the Free Trade Agreement with the United States represents one of the notable economic achievements of this decade. It lets Canadian industry and agriculture into larger markets with a dynamic future.

At the same time, it is important to recognize that the Agreement is a natural development of Canadian trade policy for the last fifty years - it is by no means a radical departure. The United States is already our main trading partner and we have been making trade agreements with them throughout the post-war period, and before - in the Tariff Treaty of 1935, in the Auto Pact, and in the successive negotiations under the GATT.

In fact, it was precisely during that period, of economic agreements with the United States, that we developed the social and cultural programs that make Canada distinctive - Medicare, the Pension Plan, the Canada Council.

The Free Trade Agreement expands the coverage and updates the mechanisms of earlier trade agreements, but it places no new limits on Canadian sovereignty. In fact, the practical effect on sovereignty is to extend it. Trade brings us wealth. And wealth lets us pay for new social programs, new cultural initiatives, new ways to express the distinctive identity of Canadians. There would be no Canada without trade. Our land was discovered by traders. We were developed by trading companies - that is what the Hudson Bay Company was; that is why the Coureur des bois went West.

One out of every three jobs in Canada today depends on trade, and as the world becomes more connected, more competitive, our future depends on trade. The Canada-US Agreement is one important step in the process that lets us speak as Canadians. There are other steps.

For example, Canada is a leading member of the countries trying to establish new rules for trade among all nations in the Multilateral Trade Negotiations. That is the way of the modern world. You have to agree on rules with other countries because no nation is alone. That is why we signed treaties to protect the ozone. That is why we send peacekeeping troops to the United Nations; why we seek trade agreements. We are part of the world. We can be leaders in it. That is the Canadian tradition - part of our identity and pride.

That is why I was so surprised to turn on my television the other night to see Ed Broadbent telling senior citizens in Edmonton that Free Trade spelled the end of Medicare. A few days later, he was telling Nova Scotians that Free Trade was the end of Regional Development Policy. Both of these statements are false, and Mr. Broadbent knows they are false.

The opponents of the Trade Agreement are not talking about Trade. They know this is a sensible economic agreement that will help bring new jobs and growth to Canada. So, in an election campaign, they are raising false fears about questions that have nothing to do with the Trade Agreement. I want to take some time tonight to deal with these fears.

Will Canadian social programs suffer? They will not. Medicare is secure. Pensions are secure. Our ability to bring in new social programs is absolute and unrestrained. Social programs are not even mentioned in the Trade Agreement. But the Preamble does refer to preserving the "parties flexibility to safeguard the public welfare", and that is exactly what we intend to do. Does anyone seriously believe that a stronger, more prosperous country would be inhibited by this Agreement from taking proper care of its old, its frail, or its unemployed? The suggestion is groundless and unworthy. In fact, a stronger economy lets us afford new social programs. A weak economy won't.

The Canadian health and hospital system gives Canadians more complete care, and at lower aggregate cost, than that enjoyed by Americans, and it is not affected by the Agreement. Indeed our lower health costs, as compared to the United States, represent a comparative advantage under Free Trade. Canadian governments are free, under the Agreement, to administer health as they see fit. The Agreement does provide, however, for free trade to extend to ancillary management and laboratory services - a field where Canada is strong.

Will Canada be forced to adopt U.S. standards as a result of this Agreement? No, we will not. The Agreement reaffirms the obligations of both countries under the Agreement on Technical Barriers to Trade concluded during the Tokyo Round, not to use technical barriers as disguised barriers to trade. To help give effect to these existing obligations the Agreement makes provision for compatibility of testing, accreditation of testing facilities, acceptance of test data, and advance notice of forthcoming standards. Compatibility of standards-related measures is to be pursued "to the greatest extent possible", and additional negotiations will be undertaken towards greater compatibility, accreditation and acceptance of test data.

The thrust of these provisions is to make standard-setting on both sides of the border more transparent, and accessible to exporters. Canadian standards which reflect our needs and circumstances, and our sovereign choice of systems, such as using Celsius thermometers or bilingual labelling, will not be affected by the Agreement. The Agreement should help ensure, however, that new standards are set with a view to their avowed objectives rather than to any market-restrictive effects. It should also help ensure that exporters in both countries are able to have their goods certified and accepted in the markets of the other without unnecessary impediments.

Does the Agreement abandon authority over energy development in Canada? It does not. We already have an obligation to the International Energy Agency to share supplies proportionately in an emergency. The Free Trade provision is less onerous than our existing obligation. Decisions on the pace and nature of energy development in Canada remain Canadian ones. The big change is in securing assured access for Canadian energy products, including electricity to U.S. markets.

Will it undercut regional development and equalization in Canada? No, the Agreement leaves Canadian subsidy programs unaffected. Canada and the U.S. will work together closely in the Uruguay Round discussion of subsidies, and carry out bilateral negotiations within the next seven years. We hope these discussions will lead to common definitions and interpretations, but the U.S. is fully aware of the priority Canadians attach to regional development.

Some very imaginative explanations have been offered of why the Agreement could be seen as a threat to the environment. Once again, there is no foundation. In the Agreement, the limitation on government border measures is linked with the GATT, and GATT's Article XX reserves Government's freedom of action in respect of measures for the protection of human, animal, or plant life. Where new environmental standards are called for, they can and will be implemented, in full conformity with the Agreement.

The same is true of policies respecting water. It is hard to believe that anyone reading the Agreement could see it as a permit to divert rivers, yet these suggestions have been made seriously! Any conceivable doubts on this matter have now, presumably, been laid to rest by the amendment which the government presented last month in Parliament. It is astonishing that matters should have come this far, since large scale water diversions were never discussed in the negotiations and had no place in the Agreement.

Is it just politics? Well it is partly politics and partly old-fashioned protectionism. The NDP is an instrument of the Canadian Labour Congress, an organized labour opposed to trade negotiations before it began, because they are protectionist by ideology.

Some of the other critics of the Agreement benefit from tariffs or controls. They are interest groups with something to lose from open competition.

But protectionism is a blind alley - particularly for an open country like Canada. Avoiding competing forces today renders them lethal to-morrow. Condemning your country to small-scale production of goods that won't market elsewhere is no way to protect jobs and encourage innovations. Cutting yourself off from technology and investment won't help you move into the 21st century with a modern economy.

This debate is not about trade. This debate is about Canada, and whether we have the will to remain a strong and independent country in the modern world. The opponents say that a Trade Agreement will make us lose our will. They are saying that the country's entrepreneurs and institutions are not strong enough to withstand more open competition with American ones, even indirectly. They are saying that even where the Agreement exempts a sector or institution it will go under, because American pressures are just too strong. Their image of our society is a static one - preserving the supports and subsidies of past industrial policy as though they constitute our national identity.

Our national identity deserves better than that. The Free Trade Agreement was written for a country confident of what it is and what it can become. Instead of crutches it provides opportunities. It looks to the future rather than the past, and provides a process for managing it. It provides a good stepping stone to global negotiations on a wide range of issues. It tells our other trading partners that we can strike a tough but constructive bargain when the circumstances are right. It sets out a challenge to every region and sector of the country - a positive challenge to show what we are made of. For those Canadians with confidence in our institutions and lifestyle, the Agreement is not filled with demons and dragons - it is a competent compromise, a good bargain on which to build a future relationship with our best customer.