

# Statement

Minister for  
International  
Trade



# Déclaration

Ministre du  
Commerce  
extérieur

90/20

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NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

AT THE

MAINE-NEW BRUNSWICK PARTNERSHIPS '90 CONFERENCE

LORD BEAVERBROOK HOTEL  
FREDERICTON, NEW BRUNSWICK

APRIL 6, 1990

Before I begin my other remarks, I would like to announce the launch of an initiative to assist businesses throughout the Atlantic provinces to expand and diversify their activities in New England.

The Atlantic Canada Trade, Tourism and Investment Initiative in New England reflects the federal government's continuing commitment to supporting Atlantic Canada business in taking advantage of the opportunities created by the Canada-U.S. Free Trade Agreement. As part of the initiative, External Affairs and International Trade Canada officials will lead 10 New Exporters to Border States (NEBS) missions to New England this year. Missions from Atlantic Canada will be organized to develop markets in New England in the following areas: fish technology, frozen lobsters, under-utilized fish species, environmental services, construction, defence, ocean technology, software and building materials.

Another key focus of the initiative will be the launch in Boston of an "Invest in Atlantic Canada" Conference, to attract manufacturing and services industry executives. And, to foster diversification of the Atlantic Canada economy, the development of Atlantic Canada's tourism potential will be assisted through two tourism missions.

The Atlantic Initiative represents a new approach to supporting Atlantic Canada companies. Working with the Canadian Consulate in Boston, companies will be able to forge new business relationships and explore the promising new markets in New England created by the Free Trade Agreement.

Forty-five years ago, Canadian historian Donald Creighton summed up Canada's relationship with the United States: "For Canada", he said, "friendship with the United States is the first essential of existence and the first instinct of nature."

Sixteen years later, President John F. Kennedy spoke of that bond in a joint address to Canada's House of Commons and Senate: "Geography has made us neighbours. History has made us friends. Economics has made us partners. And necessity has made us allies. Those whom nature hath so joined together, let no man put asunder. What unites us is far greater than what divides us."

The closeness of our relationship means that Canada is often described in the context of the United States. Distinguished Canadian author, Robertson Davies, spoke of Canada as "Pin and pine, Snow and slow, America's

attic . . .". Our proximity, our friendship and our open border have translated into a mutually profitable commercial partnership. History has shown how we seized that opportunity. Canada and the United States have the single largest two-country trading relationship in the world. Our bilateral trade is worth \$200 billion annually.

The enormity of our trading relationship may surprise many of our American colleagues. Canada, not Japan, is the largest trading partner of the United States. About 75% of Canada's exports go to the United States. Over 65% of Canada's imports come from the United States. In 1989, New England alone sold almost \$5.5 billion in exports to Canada. Hence the importance we must both attach to maintaining and nurturing our commercial relations as well as our longstanding friendship.

New Brunswick knows the strength and importance of this trading relationship. Between January and September, 1989, New Brunswick exports to the United States totalled almost \$1.4 billion - over 60% of New Brunswick's world exports for the period. The province exported to the United States almost \$450 million of mineral fuels, \$266 million of wood pulp, \$224 million of paper and over \$100 million each of wood/lumber products and fish. Our electricity exports, much of which went to or through Maine, totalled \$168 million.

During those same nine months, New Brunswick imported more than \$676 million worth of goods from the United States - almost 45% of the province's total world imports. Among New Brunswick's imports from the United States were \$135 million of machinery and equipment, \$81 million of vehicles and parts, and \$47 million of electrical machinery.

New Brunswick and Maine exemplify the natural interdependence of our national economies. In the long run, what is good for each of us is good for the other. We need to be concerned about each other's economic health, not just as friends, but as business partners. As this gathering well knows, to prosper together, we must work together.

The Canada-U.S. Free Trade Agreement is a major component in our mutual national efforts to strengthen the trading relationship between our countries. The FTA came into force just over 15 months ago. It provides the framework and the opportunity for each country to enhance trade relations with the other.

It is particularly appropriate that I speak about free trade before an audience composed in part of new Brunswickers. This province has been a leader in seizing opportunities

under the FTA, and I commend Premier McKenna for his strong support of the agreement.

The FTA focusses on five initiatives designed to ease trade between our countries: eliminating barriers to trade in goods and services, facilitating conditions of fair competition, liberalizing conditions for investment, establishing procedures for the administration of the FTA and the resolution of disputes, and laying the foundation for further bilateral and multilateral cooperation.

The precise impact of the FTA can be assessed only over the long term. Already, however, it has created the dynamics for beneficial change. Critics of the agreement have seen their arguments wither as opinion and evidence increasingly demonstrate the opportunities introduced by the FTA for a more competitive Canadian economy with higher employment and incomes. Many critics are becoming converts. Look at Ontario Premier David Peterson, for example. His province is now touting the advantages of the FTA in its advertising south of the border.

The FTA dispute settlement mechanisms are working, and working well. Canadian and American traders want to use them to resolve their differences. They will largely replace the fruitless pattern of "action-retaliation-reaction-further retaliation" that could otherwise characterize our trade differences.

Chapter 18 of the FTA now provides a general dispute settlement mechanism that allows us to resolve trade disputes effectively and efficiently. Two panels have been created so far. Chapter 19 provides a more specific dispute settlement mechanism for countervailing and antidumping duty laws and cases. Eleven such panels have been requested.

We know that our trade fences will need mending from time to time. Even the best of friends cannot conduct \$200 billion worth of bilateral trade without irritants arising. One Chapter 18 panel, for example, is now examining a U.S. law prohibiting the import of Canadian live lobsters that do not meet the U.S. federal size limit. The Canadian government has acted to press its case in every way. We are confident that the Free Trade panel will respect the merits of our position and will redress this bilateral dispute appropriately.

I remind you that trade disputes account for only about 1% of our total bilateral trade. Let me put it another way. Almost 99% of our bilateral trade in 1989 was dispute-free.

For Atlantic Canada, security of access will provide the confidence to expand business ventures into the United States. Lower tariffs on Canadian goods entering the United States will encourage Canadians to process products before export. That means less dependence on primary products and more and better jobs in secondary industries.

The challenge of free trade is to be able to compete in a free North American market. The FTA does not guarantee increased trade or profits, but it does provide the opportunities to attain those goals. The stories I hear from across Canada, including New Brunswick and the rest of Atlantic Canada, indicate that we are indeed seizing opportunities.

In this province, Ganong Brothers of St. Stephen, maker of world class chocolates, has now built a world class chocolate-manufacturing facility to match. It has embraced the concept of internationalizing its operations.

In anticipation of free trade, Depow Enterprises, a lumber business in Fredericton, built a \$10 million veneer and hardwood plywood mill close to the border. It could employ 250 within the next several years. The firm is also building a \$35 million gypsum wallboard plant to supply both the Maritimes and the northeastern U.S. market.

REPAP Enterprises of Montreal recently invested \$60 million in a groundwood mill and \$90 million in a kraft paper mill modernization in New Brunswick. The firm intends to use the FTA to build its base in the United States. With that base, the company can compete with producers all over the world. George Petty, Chief Executive of REPAP, recently said, "We would never have been able to compete if we couldn't get access to the U.S. market, and the FTA gives us that access."

Support for accelerated tariff eliminations beyond those in the FTA is a clear demonstration of the confidence of Canadian exporters in their ability to compete and profit under the FTA. In 1989, Canada and the United States agreed to a program of accelerated tariff elimination on 400 items covering about \$6 billion worth of bilateral trade. These came into effect on April 1. This pressure to eliminate these tariffs came, not from government, but from our business communities, anxious to share the benefits of free trade. We have now begun another round of accelerated tariff eliminations.

Free trade is working for Canada. Canada has had the fastest rate of new job creation of all OECD countries for the past 18 months. Canada is second only to Japan in the

OECD in overall economic performance. The December, 1989 OECD economic survey of Canada spoke of Canada's impressive output growth and employment creation in 1989 - our first year under free trade. Business investment in non-residential construction, machinery and equipment for the first three-quarters of 1989 was up 12 per cent over the same period in 1988.

Preliminary trade figures for 1989 show a 2.6 per cent growth in Canadian exports to the United States and a 6.4 per cent increase in U.S. imports to Canada. A significant portion of the imports to Canada are machinery and equipment being used to modernize production. Canadian industry is honing its skills to meet the inevitable challenge of global competition.

The government of Canada is ready and willing to assist Canadian exporters take advantage of Free Trade. Since April of last year, for example, 35 New Exporters to Border States (NEBS) missions have been planned and ten more are being organized. Every region of the country now has an active NEBS program.

The International Trade Centre in Moncton studied the first 60 companies that participated in the NEBS program. The companies had a success rate of 30%. Over a three year period, sales stemming from the NEBS program totalled \$30 million. This program is working. It gives Atlantic Canada the support it needs to develop new markets.

The government of Canada is encouraging other trade development efforts. Over 10,000 small and medium-sized Canadian firms took part in trade promotion programs in the United States during the 1989-90 fiscal year. A record 400 promotional events were launched in the United States during the same period. Canada has opened five new satellite trade offices (San Diego, Denver, Princeton, Miami and San Juan). These will assist Canadian companies in their export activities to the United States and help U.S. businesses source goods and services from Canada. They will also encourage U.S. investment in Canada and simplify technology exchanges and other business alliances.

I am also encouraged by the cooperation between New Brunswick and the federal government at our Boston consulate. A year ago, a special consul and trade commissioner was installed at the consulate under a provincial-federal co-location agreement. The consul has some federal responsibilities, but he primarily promotes New Brunswick interests by encouraging investment in the province.

Canada's success and the success of the FTA depends on how competitive we are as a trading nation, not only in North America, but globally. A quarter of Canada's Gross Domestic Product is derived from trade. One in five Canadian jobs depends on it. We are among the great trading nations of the world. It's time for our business community to adjust to and profit from this fact of our existence. The future of the Canadian and world economies lies in trade liberalization.

The FTA has opened doors between Canada and the United States. It has unlocked opportunities for both countries. It has set the stage for our countries to participate in the trading world of the 21st century - a world that will demand energy, enthusiasm and creativity in developing and securing markets. I commend this gathering - this partnership of neighbours and friends - for demonstrating these very qualities that will bring success to both our countries.