

Statement

Minister for
International
Trade



Déclaration

Ministre du
Commerce
extérieur

90/07

CHECK AGAINST DELIVERY

THE CANADA-U.S. FREE TRADE AGREEMENT
IMPLICATIONS FOR THE FUTURE

NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

TO THE

GREATER MIAMI CHAMBER OF COMMERCE

BALLROOM OF OMNI HOTEL
MIAMI, FLORIDA

February 1, 1990.

Ladies and Gentlemen:

I am far from the only Canadian who visits Florida in the winter. The Canadian presence here, both visitors and more permanent residents, is almost 2 million strong on an annual basis; we collectively add about one and one half billion dollars a year to Florida's economy.

However, there are some additional numbers that may not be so well known about our relationship:

1. Total 2 way trade in goods & services between our two nations reached U.S. 152 billion dollars in 1988. Although the final statistics are not yet available, preliminary indications are that this figure was up about 4% in 1989.
2. Canada is by far the largest single customer for U.S. sales abroad, taking 21% of all U.S. exports U.S. \$70 billion in 1988. One of our provinces - Ontario- buys more than all of Japan. Canada buys more U.S. products than Germany, the U.K., Italy and France combined!! Put another way, 65% of my country's total imports originate in the U.S.A.
3. One third of U.S.A. manufactured exports go to Canada, accounting for more than 2 million jobs in your country! As well, throughout the 1980's Canada was by far the fastest growing market for U.S. exports of all your principal trading partners.
4. Forty percent of all foreign visitors to the U.S.A. are Canadian, accounting for 12% of all U.S. tourism revenues ... approximately \$5 billion dollars in 1989!
5. Canada is the largest single destination for U.S. investment abroad, accounting for direct investments of U.S. 63 billion dollars. Conversely, Canadian investment in the U.S.A. accounts for 72% of total Canadian investment abroad.
6. Finally, just under 20% of Canada's total gross domestic product is derived from our exports to the U.S.A. so you can see how vital the U.S. is to our economy.

Now let's look at the Canada-Florida relationship:

1. In 1988, total trade amounted to \$2.8 billion dollars with Florida running a surplus of about \$400 million. I am told that Canada is expected to be Florida's number one export market this year!
2. We buy from you computers, fresh fruits and vegetables, telecommunications equipment, orange juice and precious metals. You buy from us newsprint, lumber, office equipment, telecommunications, urban transit equipment and mining machinery.

We, in Canada, are encouraged by the trends of our trade with Florida.

In the last year for example, one Canadian company, UTDC, successfully concluded contracts of over U.S. \$48 million with the local commuter rail authority, covering urban transit equipment. Another Canadian company, Bombardier, won a \$13 million "People Mover" contract at the Tampa airport.

Our leisure craft industry is also doing well in Florida. For example, at last year's Miami Boat Show, we sold over \$15 million worth of boats and accessories.

The future is bright for other sectors. We believe Canadian companies can competitively supply food products, building materials, children's apparel, transportation equipment, biomedical supplies, and residential furniture.

The residential furniture sector is a very good example. In Florida today is a twelve-person mission of high-end residential furniture manufacturers from the Canadian provinces of Ontario, Québec, Manitoba and Alberta. We believe the rapidly growing market here is very receptive to Canadian quality and design and that many excellent opportunities will be identified for Canadian and U.S. companies.

And, with the Canada-U.S. Free Trade Agreement in place, there are tremendous opportunities to expand and deepen that relationship even further in the years ahead. But translating those opportunities into reality takes work. And that's why I am here in Miami today - to officially open our new Canadian Government Trade Office; a presence which we hope will develop further our commercial and economic relations with Florida and the southern United States.

It is part of our conscious effort to increase our ties across the entire dynamic southern United States; to ensure that Canada trades not only with New York, Michigan, Minnesota and Washington State, but Florida, Texas, Arizona and California as well.

And I can tell you we have chosen one of our most dynamic senior Trade Commissioners, Mr. Stewart Beck, to head the Miami office.

So please call on Stewart to discuss any of your trade and investment ideas. Remember the name - Beck - and call. Stewart will be our man in Miami to make the Free Trade Agreement work for us.

For 1990, the highest trade relations priority for both our countries is undoubtedly the effective implementation of the Free Trade Agreement. To succeed in reaching the mutual benefits of the Agreement we have to be serious about expanding trade, serious about negotiating new rules for trade, serious about living by those rules, serious about resolving disputes, and even more serious about avoiding disputes in the first place. Our both adhering to the spirit of the Agreement provides that necessary signal to other nations.

As I see it, the Agreement offers both an opportunity and a responsibility: an opportunity to enrich the remarkable flow of commerce between our two countries; and a responsibility to ensure that the new rules make a clear and positive difference in this most vital aspect of our relationship.

We know that the FTA is designed to phase out tariffs, that it encourages investments, facilitates cross-border travel of business persons and establishes rapid and open mechanisms for resolving trade disputes.

Overall, we can say that the Free Trade Agreement gives Canada and the U.S. a better blueprint and better rules to ensure a more stable, more predictable trading environment - in other words, stronger incentives to do more business with one another...

So the theory goes. How are we doing in putting the FTA into practice? Well as it turns out the reality comes pretty close to matching the theory. And those of you who have studied economics know that is quite a coup.

Many tariffs were out on January first of 1989, and many companies on both sides of the border want to speed up the rate of tariff elimination.

Several weeks ago, we agreed to reduce tariffs to zero on hundreds of additional items, covering some \$8 billion of bilateral trade, and including items that figure importantly in Canada-Florida trade, such as telecommunications equipment and aluminum products. Each tariff reduced responded to a specific request from the business communities on both sides of the border for accelerated liberalization -- a sure sign that business is adjusting rapidly to the new trade environment.

We have set up eight binational working groups which are starting to harmonize technical regulations and standards for a wide range of agricultural, food and beverage goods.

A working groups is addressing the issue of subsidies and trade law remedies with a view to establishing a better regime for North America within a deadline of five to seven years. Needless to day, they are looking at subsidies in both countries. However, cliches must give way to reality in this case.

There is a perceptionn in the United States that you have a "free market" economy and government subsidies do not play a significant role.

I was frankly astonished to learn that the U.S. administration this week announced as part of the new budget proposals a sharp increase - to \$900 million - in the funding for one of the U.S.'s agricultural subsidies programs which most hurts Canadian farmers. I am speaking of the Export Enhancement Program which pits the U.S. treasury against Canadian farmers. This program directly subsidizes commercial sales of grain by U.S. farmers in targeted 3rd country markets. And wouldn,t you know it, the markets targeted so far have been traditional Canadian grain markets - such as the Soviet Union, China, Saudi Arabia & Algeria.

My Cabinet colleagues and I have objected to this unneighborly behavior with some members of the U.S. administration. Each time, we are told that the E.E.P is aimed at the E.E.C. Well, Canada is not the E.E.C. and it disturbs me that our American friends refuse to change an export subsidy program which is hurting Canada, when we are told that it is not intended to harm Canada.

So far, eleven binational panels have been set up to resolve various differences which have arisen about U.S. or Canadian trade measures. In the old days, these issues could have festered for years or escalated into retaliation and counter-retaliation. Now we have a better way and we are using it.

But we must remember that the Agreement is also intended to head off disputes in the first place. We must use it to that end as well.

We are living in remarkable times for international commerce. Trade has never been more important for us, and trade has never been more at risk in the postwar period.

In the Uruguay Round, we are now in the eighth general negotiation since the GATT was created forty years ago. The rhetoric of free trade still abounds. The reality is now far less reassuring.

The awful word "protectionism" may seldom be heard but it has aliases -- like fair trade, reciprocity, managed trade, voluntary restraints, import substitution. Anyone in search of an anthology of euphemisms need look no further.

How do we renew and revitalize the system? How can we ensure the success of the Uruguay Round?

The best way of achieving these objectives, in my view, is by setting an example and providing a stimulus. We can do this best by implementing the letter and the spirit of our Free Trade Agreement.

We have compatible goals and objectives in the multilateral negotiations. We both want to lower world tariffs to the greatest degree possible. We both want to reduce and eliminate world non-tariff barriers. We both want to negotiate binding global rules for services based on fair treatment and non-discrimination. And we both want to strengthen the GATT procedures for the settlement of disputes.

One area warrants particular attention -- Agriculture!

The sad fact is that most world trade in agriculture is not governed by any rules. If there is law, it is the law of the jungle.

Everyone suffers: farmers because they can suddenly lose their markets to subsidized competition; processors and packers and consumers because the supply and price of agricultural products can fluctuate wildly; and taxpayers because our two governments have been left with no choice but to join the subsidy war. This is of particular interest to you given the importance of agriculture in your state's economy. Agricultural products constitute your largest export sector, as far as Canada is concerned.

The Free Trade Agreement commits our two countries to work together in the multilateral negotiations to achieve the elimination of agricultural subsidies that distort trade.

This is an area where, by working together, we can pool our bargaining strength and make some real headway.

Working together, we can also realize progress in multilateral negotiations covering services and investment.

This would promote greater direct investment in both developed and less developed countries - investment that would help all the less developed countries through their current financial difficulties.

Given Miami's role as a major "entrepot" center for economic and commercial relations with Latin America, it is appropriate for me to refer to developing Canadian relations with the region. Canada, to mark its commitment, has just joined the OAS, after having participated actively for many years as a regional member of the Inter American Development Bank.

We share with you a strong interest in Latin America's economic growth. Canada-Latin America current two-way trade is over \$6 billion. Canada's share of Latin America's \$73 billion of imports in 1988 was 2.7 % or \$2 billion, and much of that was in the form of manufactured or semi-processed goods.

Latin American countries are turning from protectionist and interventionist polities to more market-driven, private sector strategies, which augurs well for the region's economic prospects. Pent-up demand in Latin America is high following years of import restrictions and population growth and Canada like Florida intends to actively share in the growing trade flows with the region.

A cooperative approach between Florida and Canadian companies - and building on Miami's strengths as a gateway to Latin America - would seem to me to make eminent sense!

Canada and the U.S. can work together in the interests of regional development, development that will benefit all the Americas.

So there are three common challenges facing Canada and the United States:

- * To make the FTA work to our mutual benefit;
- * to secure freer trade around the world;
- * to promote the development of our joint economic and commercial interests in Latin America.

Can we meet these challenges?

Certainly.

Will we meet them?

That is up to all of us.

I believe we will; and I believe, if we continue to exhibit the wisdom shown in signing the Free Trade Agreement, our two nations can together set an example for the world.

Thank you.