



Minister for
International Trade

Ministre du
Commerce extérieur

STATEMENT DISCOURS

87/16

Speech in the House of Commons
by the Honourable Pat Carney,
Minister for International Trade,
on the trade negotiations debate,
March 16, 1987

OTTAWA

March 20, 1987.

Canada

Mr. Speaker, it is a rare privilege to have the opportunity to introduce a motion in the House which has the potential to enhance profoundly the future of our country, and that is my privilege today.

The trade debate is about Canada's future. It is about jobs--20th century jobs and 21st century jobs. It is about economic growth for those regions of Canada which are not sharing in the wealth that our present economic system provides. It is about sovereignty, because only an economically strong country can provide our unique social programs and preserve our cultural policies which protect our national identity. However, most of all, the great debate is about security and enhancing our access to our largest market and our biggest customer, the United States, in a long-term binding treaty.

This concept frightens some Canadians. It scares the opposition Parties which have no vision for Canada and offer no hope for Canadians who are unemployed now or who fear that they will be unemployed in the future as technology changes the nature of their jobs. Scare tactics are a cop-out. They are a way of browbeating Canadians back into the 19th century.

Our Government is prepared to lead Canadians through the final decade of the 20th century, turbulent with change, and into the 21st century, only 13 years away. As the Prime Minister has said, we choose to negotiate not because it is easy and not because it is without political risk but because it is in our national interest. We serve that national interest, he reminds us, by securing an agreement with our largest trading partner which will provide stability and security for traders, investors, workers and for our future. Let me tell the House why this is so.

From the earliest days of mankind, from the era of barter systems through to the development of the first great trade routes, trade has been the generator of growth. Cities sprang up where traders met to exchange goods and all the world's great cities have their origins in trade. History is dominated by trade wars and their impact on the development and decline of regions. Trade has determined the future of nations and trade will determine the future of Canada.

Canada's economy is dependent on trade to a greater degree than almost any other country. Today we export about one-third of all we produce and we import about 30 per cent of what we consume. Growth in trade translates into growth in economic wealth. For the first 40 years since the post-war world first adopted the international rules of the General Agreement on Tariffs and Trade, Canada's exports have multiplied 10 times over and our national wealth has more than tripled. Today our international trading system which helped create unprecedented wealth is in trouble. It is being eroded by protectionism as countries try to reduce unemployment by putting up barriers to other countries' goods and services.

Part of the problem is the GATT itself. Its institutions have become dated, its procedures are ineffective and its dispute mechanisms are often cumbersome. That is why the 92 countries of GATT met in Uruguay last fall to start the eighth round of trade liberalization under the GATT which was first established in 1947. One major objective of that round was to reduce trade barriers and to define rules and regulations for those areas in which no rules exist: areas like services, the fastest growing trade area, and intellectual property and investment. Very importantly, the agricultural sector has never been adequately covered by international rules and regulations.

If one wonders about the value of international rules and regulations governing trade, one need only take a look at the agricultural sector in which no such rules exist. The result is anarchy in agriculture. World agriculture trade is governed not by comparative advantage but by the size of national treasuries. For example, for every dollar the Japanese farmer receives, the Japanese taxpayer pays \$2.50. For every dollar the European farmer receives, the European taxpayer pays \$1.50. In the United States, the taxpayer pays \$1.38 for each dollar the U.S. farmer receives. Canada cannot afford to compete with these huge subsidies and that is why the Prime Minister pushed so hard to get agriculture on the agenda of the economic summit.

Where does the U.S.-Canada bilateral fit into this world-wide picture? These are two answers. The first is jobs. We believe that this provides the best opportunity to create hundreds of thousands of new jobs and economic studies support this. I can cite studies done by the Economic Council of Canada which show that with free trade, as many as 370,000 jobs could be created in the next five years while we could lose half a million without free trade. University of Maryland studies indicated that a free trade agreement with the U.S. could cause an increase in GPD of Canada of about 5 per cent. Trade is where the jobs are.

Second, we must deal with the rise in U.S. protectionism in a way that protects Canadian interests. As Atlantic fishermen, Quebec aerospace workers, Ontario steel workers, prairie farmers and British Columbia woodworkers know, we must trade to survive let alone to prosper and we are now fighting the ugliest outbreak of protectionism in the U.S. and around the world since the 1930s. We are fighting for those three million Canadians holding a quarter of Canadian jobs whose pay cheques depend on trade. We are fighting for a secure future and for more jobs in the years ahead.

American Congressmen and politicians are concerned about their trade deficit. For the first time in their memory, Americans are buying more from abroad than they are selling and they are losing jobs to overseas competition. They are turning inward, turning away from what gave them the strongest economy and the highest standard of living in the world. They are using all sorts of weapons at their disposal, raising all kinds of non-tariff barriers to stop imports in the mistaken belief they can maintain jobs through protectionism.

In the last seven years, Americans have launched some 40 actions against Canadian goods. Many have failed but those that have succeeded have penalized Canadian exports worth over \$6.5 billion. No region of Canada has remained untouched by American trade actions against us. These actions have cost Canadians opportunities and jobs.

There are no signs of weakening in the protectionist mood. There are hundreds of protectionist Bills awaiting action in the Congress. The mood should convince even the most skeptical Canadians that our trading relationship with the Americans is under attack. The new trade Bill would resume that attack if we are unsuccessful in our trade negotiations.

Let me deal with the agenda of the trade talks. We are asked this morning to specify the agenda. We have done so before but we are more than willing to do so again. First let me stress what is not on the table. Regional development and our capacity to sustain regional development is not on the table. Only the opposition Parties are dragging it onto the table. Our cultural policies and our ability to protect our national identity is not on the table. The negotiators know that that is not subject for negotiation. Only the opposition Parties keep dragging it onto the table. Our social programs are not on the table. Again, only the opposition Parties raise our social programs and try to drag them onto the negotiating table. They are trying to put culture, regional development and social programs on the table, we are not.

Our negotiators are meeting today. Therefore, it is not in their interests to mention specific negotiating positions. However, I do want to say what is on the table and why we are dealing with these matters. Tariffs are on the table because experience has shown that the Canadian economy has prospered through tariff reduction. This is so even with the Auto Pact which the Opposition keeps bringing up. Members of the Opposition fail to mention that tariffs have come down steadily with the Auto Pact. For vehicles, they have come down from around 17.5 per cent to around 9.2 per cent. For auto parts, they have come down from as high as 25 per cent to 9.2 per cent. We have been reducing tariffs for years, and in the trade talks we are seeking to reduce them to zero on Canada-U.S. trade over a period of 10 or 15 years, whatever is negotiated.

Non-tariff barriers are on the table. Since the early 1970s, non-tariff barriers to trade have proliferated. Some are clear, imposing quotas on imports, for example. Some are not so clear, using technical or health standards for protectionism rather than for legitimate purposes. Another item on the table is government procurement practices. We are seeking to drop our "Buy Canadian" for their "Buy American" and as the Prime Minister pointed out today, 1 per cent of American government procurement could create 75,000 jobs in Canada.

Also on the table are customs matters. We want to facilitate commerce between the two countries by reducing the paperwork at the border. That will mean lower costs for Canadian businessmen. Agriculture is also on the table. I have touched upon the massive global problems we face in agriculture and they exist because there has been insufficient progress in bringing international rules to agriculture trade.

We know that we cannot resolve all our trading problems in the U.S.-Canada bilateral, but we can deal with some of them. We can deal with some tariffs, we can deal with health standards and we can deal with dispute settlement mechanisms that are used to harass agricultural products. Agriculture is very much a part of these talks.

Also on the table are subsidies and related measures. Those are important to regional development because under the existing trade laws, we often do not know what kind of subsidies we can use in regional development plans without bringing on U.S. trade actions. We want clear rules. We want to know what programs we will be able to implement for regional development. The existing international rules are

not well defined and the U.S. is seeking to broaden them in, for example, the softwood lumber dispute and natural resource pricing. We want better rules in both countries because the U.S. subsidizes its products as well. We want better rules on what we can and cannot do. We need adjustment programs for the retraining which the Opposition talked about. We need programs for women.

Of the most important things on our agenda for negotiation are dispute settlement mechanisms. We want to replace the existing ones. The ones we have in place currently operate within the GATT framework but they do not make sense in application and they are unilateral. We want impartial mechanisms. For example, if the U.S. alleges that our stumpage programs are subsidies, we want an impartial, bi-national tribunal to deal with the issue, not the U.S. Department of Commerce.

Also on the table is intellectual property. This involves two issues: ensuring adequate protection for those who create new products, services or ideas, and ensuring access to those new products, services or ideas. Let me give you an example. One reason why companies locate their R and D in the U.S. is that if they want U.S. patent protection and someone else is developing the same idea, in the case of a tie the company which did its R and D in the U.S. gets preferred status. We do not like that because companies will locate in the U.S. to ensure their patents get U.S. patent protection. That means that good jobs for highly-trained Canadians are in doubt. We want free trade in intellectual property. We want free trade in services. This is a new area not now covered by international rules. More and more of our economy is service-based. It is about 67 per cent of our GPD these days. We have a solid record of growth in services of about 3 per cent per year. GATT is addressing these problems and new rules for services. So are we in the Canada-U.S. bilateral negotiations. We have some of the finest service industries in the world in engineering, financial consulting, computer services and banking. We are world-class competitors and we want to ensure access to world trade and services.

Also on the table is investment. All countries around the world are loosening their investment policies. We did so when FIRA became Investment Canada. The result was a record \$6.8 billion worth of investment for 1986. So far we are dealing only with trade-related investment measures. The Americans want more. We are listening but we have not given the negotiators a general investment mandate.

The Opposition has raised the question of what the Americans want from this. Why are they bothering with the bilateral negotiations with Canada? What motivates them? Several things. First, we are their biggest market and their only growing market in the world today. Second, they want better rules on the trade in goods and services and tariff procurement practices and provincial practices on intellectual property. They have the same agenda as we do. Much of this is new ground. What is very important to them is the trade and services agreement with us. The Americans can no longer dominate traditional markets such as steel and automobiles, and they threatened to walk away from GATT if trade and services was not included. The feeling in America is very strong that if they cannot make a deal with Canada in these new areas in particular, if they cannot define rules and regulations for new issues like services and intellectual property, they are unlikely to do it in the wider world of the GATT. They have a major and fundamental interest, even a historic interest, in trying to come to terms with us. So the conditions for these negotiations are far more balanced than the Opposition would lead us to believe.

We cannot stand still. Either we see our trading opportunities and eventually our prosperity fell prey to American protectionism, or we seek an agreement with Washington which will give us more secure access to that market. Let there be no doubt, standing still will make us poorer. Only moving forward will make us richer.

As Minister for International Trade no one knows better than I about the effect American trade remedy laws have had on our exports. We have seen it in shakes and shingles, fish, lumber, and farm products. Those unilateral decisions on what they call unfair practices are the problem between us. Americans call them fair trade laws but they are not. Americans say they cannot accept dumped or subsidized imports from us. We agree. We do not want theirs either. However, we do need a better way to work out these problems. If things were working smoothly neither side would need a change. The simple fact is that the present laws are not working and we need a way which eliminates the problems rather than introducing new barriers at the border. We need a system to ensure that neither country is penalized without a fair and impartial method of resolving disputes under agreed rules.

Let me repeat the message that the Prime Minister gave so clearly to this House. There will be no agreement without such a change. No agreement this Government signs will hold Canadian workers or industries hostage to the unpredictable whims of American protectionism. Canadians want to compete openly in a larger market with clear rules and fair access and that is the kind of agreement we are pursuing. For those who doubt what a trade deal with the United States can do they need look no further than the booming economy of south-central

Ontario. Much of that boom is based on what now amounts to free trade in automobiles. My colleague, the Minister of Finance will be speaking more specifically about the Auto Pact a little later in this debate. Just let me remind Members of this House that there was considerable controversy over that agreement when it was negotiated more than 20 years ago. The Leader of the NDP in this House has consistently called for its renegotiation. Instead, it has been a resounding success and created thousands of jobs in Ontario. Those of us from other parts of the country watch this trade-based boom in Ontario with some envy. However, we mostly ask why our workers and our industries cannot have the same chance. If free trade is good for Ontario, why not for Atlantic Canada, Quebec, the Prairies, or British Columbia? What better way is there to reduce regional disparities than to give others a shot at competing in the American Market on the same terms?

This Government has laid out what it is seeking to achieve, and why, in these negotiations with the U.S. We are seeking a secure economic future for Canadians working now and for those to come. We firmly believe that free trade is the best route to that goal. We have a plan and we are on track but what do we hear from the other side of the House? From the Liberals we have a long complicated resolution which says "maybe", "if", "but", and "ifsoever". There is nothing positive in this long complicated Liberal amendment. There is no suggestion that there are other things which are equally important for us. There is the implication that if they do not get everything here in this long list, then maybe they do not want to proceed at all. I do not think that is good enough for Canadians.

From the NDP we have a long complicated motion presented at their convention this past weekend which says no to free trade. It says categorically: "Therefore be it resolved the New Democrats in Government will withdraw from the comprehensive trade negotiations presently taking place with the U.S. and would instead pursue the following trade strategy". It is a mishmash, cherry-picking list of sectoral free trade. History has shown that sectoral free trade is not on for either country. It is not acceptable.

The NDP talk about GATT but ignores the fact that our negotiations are consistent with GATT. The Liberals make a point of saying they do not want an all-inclusive free trade agreement with the U.S. but they do want more negotiations in GATT. Those two positions, as the Honourable Member knows, are inconsistent. You cannot have a free trade agreement consistent with GATT unless it is a comprehensive agreement. GATT will not permit it. The way we are going is the way we can go within GATT. The way the Liberals are pursuing this issue is inconsistent with the GATT that they talk so much about supporting.

In closing, I want to speak about Canadians being world-class competitors, although the Opposition implies this is not the case. Canadians are not afraid of the future. The welders who are helping to build the oil pumping systems for Venezuela's oilfields at Canadian Foremost in Calgary know that they are as good as any in the world. The systems designers at Ottawa's Cognos Incorporated whose new computer language is used by 115 of the top 500 companies in the world know they are the best in the world. The technicians at CANAC International in Montreal know that they beat out the best in Germany, France, the United States and Britain in winning a contract for the new control system for India's railroads. They know, as we do, that we cannot deal with protectionism and prepare Canada for the next century if we walk away from this challenge.