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Focus Group report to External
Affairs and International Trade
Canada : competitiveness and NAFTA
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**Focus Group Report
to
External Affairs and
International Trade Canada:
Competitiveness and NAFTA**

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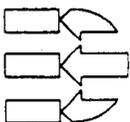
Prepared by:

Decima Research
September, 1991

Dept. of External Affairs
Min. des Affaires extérieures

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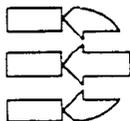
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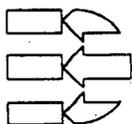
TABLE OF CONTENTS

| | | |
|-------|--|----|
| I. | EXECUTIVE SUMMARY | i |
| II. | INTRODUCTION | 1 |
| III. | GENERAL ATTITUDES TOWARD THE ECONOMY | 3 |
| IV. | DEFINING INTERNATIONAL COMPETITIVENESS | 4 |
| | (i) Competitiveness and Trade | 4 |
| | (ii) Exports | 6 |
| V. | FREE TRADE | 9 |
| | (i) Defining Free Trade | 9 |
| | (ii) The Canada - U.S. Free Trade Agreement | 11 |
| VI. | THE NORTH AMERICAN FREE TRADE AGREEMENT | 15 |
| | (i) General Impressions of NAFTA | 15 |
| | (ii) Impressions of Imports and Exports between Canada and Mexico | 20 |
| | (iii) Beneficiaries of Tri-lateral Trade | 21 |
| | (iv) The Negotiating Process | 23 |
| VII. | TRADING WITH THE THIRD WORLD | 27 |
| VIII. | ADVICE TO MINISTER/NEGOTIATIONS | 29 |
| IX. | CONCLUSIONS | 30 |

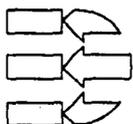


I. EXECUTIVE SUMMARY

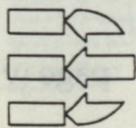
- Participants recognize that Canada enjoys a high standard of living and a relatively strong economy in comparison to other industrialized nations. There is a strong view, however, that Canada is falling behind as the world becomes more competitive. Focus group participants attribute this to a number of factors, including the size of our population, the perceived excessive burden of taxes in Canada, the deficit, and the difficulty of competing with a country the size of the United States.
- All participants recognized the importance of competitiveness and trade to Canada's economic well-being. While moderate opponents to the Canada - U.S. Free Trade Agreement were less inclined to place as strong an emphasis on competitiveness, the majority recognized that in order to build our economy, exports and competitiveness would be key. Only a small minority of participants in all groups reported that Canada should concentrate its efforts on our internal markets and attempt self-sufficiency.
- While not pervasive, there was a relatively strong view among most participants that the world was becoming increasingly competitive and that nations were forming trading blocs. The Pacific Rim and the European Community were cited specifically. There was general agreement (more pronounced among moderate FTA supporters) that a North American bloc would not only be necessary but potentially beneficial.
- While all participants agreed that Canada's major exports consisted of natural resources and raw materials, there was general agreement that Canada would have to expand its export portfolio, if it was to remain competitive. Focus group participants believed that there were significant opportunities for expanding our manufacturing base domestically, processing the raw materials that Canada has in abundance and expanding opportunities in high-technology.



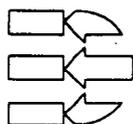
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- When questioned on free trade generally, opponents and supporters remained divided, citing a variety of reasons for each point of view. One of the most notable findings was that which indicated that all participants (both supporters and opponents) were prepared to concede that there may be long-term benefits that would accrue to Canada as a consequence of both the Canada - U.S. Agreement and a potential North American Free Trade Agreement. Very few participants were prepared to reject NAFTA completely, reserving judgement until they had a better understanding of longer-term benefits.
 - Respondents in all groups overwhelmingly conceded that if the United States and Mexico are involved in trade negotiations between the two countries, Canada had to participate. Among moderate FTA opponents, this view was driven by a concern about the U.S. and a view that Canada had to protect its interests with the United States. Supporters of the FTA were more inclined to discuss new opportunities resulting from a North American Trading bloc and the larger market available in Mexico.
 - Wages emerge as the dominant issue that separates moderate supporters and moderate opponents to NAFTA. Opponents express significant concern about a cheaper labour market in Mexico and the potential adverse effects on Canadian jobs. Supporters, on the other hand, believe that lower wages in Canada will be important to its ability to compete and foresee advantages and greater competitiveness if perceived unduly high wages are reduced.
 - Some limited concern was raised about environmental issues under NAFTA. Participants pointed out that the lack of environmental standards in Mexico and its high level of pollution would be detrimental to international environmental protection.



- Moderate FTA opponents expressed considerable concern about the impact of a North American Free Trade Agreement on Canada's social programs, most notably, the health care system. There was considerable apprehension about any potential incursions to social programs in Canada, with respondents pointing out that no compromises on such programs as health care could be made in negotiations.
- While some concern was registered about increased trade with low-wage countries, respondents accepted the fact that the substantial majority of imports into Canada came from such sources as the U.S., Japan and the European Community. Virtually all participants conceded that higher quality products would originate from these countries and that quality would be a significant factor in purchase decisions.
- There was little identification of the types of goods that Mexico would export to Canada. Apart from fruit, textiles, and art objects, participants were unable to identify products or services produced in Mexico that they would be interested in purchasing.
- All participants saw opportunities to export Canadian products and services to Mexico. While they expressed concern about Mexico's ability to pay for Canadian goods and services, they saw opportunities to export agricultural products, and, interestingly, high-tech products (such as telecommunication products) and expertise. They recognized that Canada was significantly more advanced than Mexico in a range of areas and sectors allowing for opportunities to sell Canadian expertise.



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- No consensus emerged on which of the three countries would benefit most from a three-way free trade agreement. FTA supporters were more inclined to identify Canada as the major beneficiary, while opponents were more likely to identify Mexico. Most participants expressed a concern about the U.S. being the primary beneficiary, although a significant proportion of participants conceded that benefits accruing to the U.S. would be short-term and in the longer term there would be greater balance between the three countries.
 - Most participants expressed dissatisfaction with the negotiations for the Canada - U.S. Free Trade Agreement and concern about the NAFTA round. There was a relatively strong view that Canada was the loser in the FTA and the U.S. the winner. There was also a pervasive view that the public requires more information about tri-lateral trade and wishes to be consulted about the negotiating process.
 - Few participants identified products or sectors that they believed should be excluded from the NAFTA negotiations. Some concern was expressed about energy, the health care system and, to a lesser extent, cultural industries.
 - Participants were reasonably well-disposed toward increased trade with the third world. While concern was expressed about the quality of third world goods and the ability of third world countries to pay for Canadian goods, participants were receptive to the notion of 'trade, not aid.'
 - In offering advice to the Minister or negotiators responsible for NAFTA, participants overwhelmingly demanded the provision of information and a means by which to offer their views and assessments of the negotiating process. Many participants also cautioned the Minister/negotiators not to bow to the United States. Significant concern was expressed about Canada's natural resources.



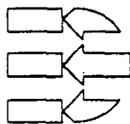
II. INTRODUCTION

In order to determine general, qualitative attitudes toward international trade, competitiveness and the North American Free Trade Agreement (NAFTA), a series of informal discussions or focus groups were conducted in three major centres in English Canada. Two focus groups were conducted in each of Ottawa, Winnipeg and Vancouver during August 1991.

Participants in the groups were recruited on the basis of moderate support for or moderate opposition to the Canada - U. S. Free Trade Agreement (FTA). The recruitment questionnaire for this series of groups is contained within the appendix attached. In each city, one group consisted of moderate supporters of the FTA and one group consisted of moderate opponents. While support for and opposition to the FTA was a component of the recruitment process, participants were recruited from a range of age and socio-economic categories to ensure as broad a cross-section of the population as possible.

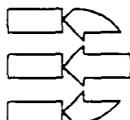
Each group was moderated by professionally-trained Decima personnel. In each of the three cities in which groups were conducted a representative of External Affairs Canada observed the focus group proceedings through a one-way mirror from a concealed observation room.

The Department of External Affairs prepared a discussion agenda for the focus groups in an effort to ensure that all pertinent issues identified by the Department were included and covered in the course of the discussion. As the agenda was found to be long, it was revised and shortened following the discussion groups held in Ottawa.



The following focus group report is structured in such a way as to reflect the agenda utilized by the moderator in each group. A copy of the Ottawa agenda and the agenda used in both Vancouver and Winnipeg are included in the technical appendix attached to this report.

The report is structured in such a way as to compare responses among the two groups in each city (i.e., the moderate supporters and the moderate opponents) and to compare differences and similarities in attitudes and perceptions in different regions of the country. Differences and similarities are noted throughout the focus group report.



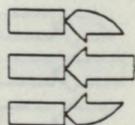
III. GENERAL ATTITUDES TOWARD THE ECONOMY

In general, participants in the focus groups believed that Canada compared well economically to other industrialized countries in the world. While there were significant concerns expressed about Canada's small population, high wages, taxes and inability to 'keep up,' with other industrialized nations (notably, the United States, Japan and Germany), participants were generally of the view that Canada was ranked among the top ten countries in the world in terms of its economic performance. ("comfortable economy;" "Canada is even with other industrialized countries;" "Doing pretty well;" "Still in top ten") Not surprisingly, moderate supporters of the FTA were somewhat more inclined to report that Canada compared well to other industrialized nations economically, although moderate opponents were also reasonably positive in their assessments.

A majority also reported that in terms of the standard of living in the country, Canada compared favourably with other industrialized nations having a high, if not a better, standard of living. ("Fairly high, compares favourably with the U.S.;" "In top three...compare with U.S. and Germany;" "High, but maybe by borrowing").

There was a general sense among all participants that Canada has fallen behind other industrialized nations in the world in the past few years. While there was general agreement that Canada's social programs were better than most other countries, concern was expressed by the size of the deficit and the perceived negative effects of taxes on Canada's ability to maintain its position as one of the top industrialized nations in the world.

Several participants in the groups of moderate FTA opponents in each of the three cities cited the Canada - U.S. Free Trade Agreement and the resultant loss of jobs as reasons for Canada's declining economy over the past few years.

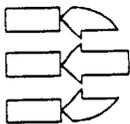


IV. DEFINING INTERNATIONAL COMPETITIVENESS

i) Competitiveness and Trade

When respondents were probed on their assessments of the term "international competitiveness" moderate supporters of the FTA stated that Canada's ability to compete was essential to on-going economic well-being. ("We have to compete;" "It's the cost of doing business. It's critical to doing business.") Virtually all 'supporters' agreed that the world was becoming increasingly competitive and that Canada needed to concentrate efforts on ensuring that it remained at the forefront of an international trend.

Even opponents of the Canada - U.S. Free Trade Agreement admitted, albeit reluctantly, that the world was becoming increasingly competitive. While concerns about free trade (particularly with the U.S.) were cited as negative effects of international competitiveness, the prevailing view was that international competitiveness was a reality and that Canada probably needed to become more competitive ("We have to become more competitive by producing products cheaper.") A significant minority, however, cited the effect of international competitiveness on Canadian jobs, reporting that the Canada - U.S. Free Trade Agreement was largely responsible for job losses and plant closures in Canada. These participants saw this trend continuing as international trade becomes more widespread. It is worth noting that despite firmly held negative impressions of the Canada - U.S. Free Trade Agreement among moderate FTA opponents, participants in these groups recognized that there may be benefits accruing from international trade. Few respondents argued that Canada should focus internally or that it had a self-contained market for its goods and services. Interestingly, FTA opponents in Ottawa (who were the most strongly opposed in the three cities) were able to offer positive comments when asked what international trade and competitiveness meant to them: "fine, but must be beneficial for both sides, U.S. too big;" "exciting, presents opportunities, inevitable;"

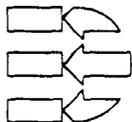


"good, but limits options;" "has potential, but not working out well;" "implies competitiveness and a competitive populace is good;" "can't have something for nothing, that's what trade's about;" "we should be more competitive in a high-tech way, not in selling natural resources."

Both the Winnipeg and Vancouver 'opponents' were somewhat more negative in their responses to international competitiveness ("we are babies in competitiveness;" "competitiveness is not unavoidable, we can do it all here;" "we have such resources, we should be able to put it off"). Much of the discussion among opponents, particularly in Winnipeg, centred on the issue of the costs of consumer goods. Participants were strongly of the view that competitiveness had done little to alleviate the problem of more expensive consumer goods in Canada when compared to the United States (automobiles, clothing, gasoline were all cited as examples). They questioned why this continued to be the case and why the same product in the U.S. was priced substantially lower than in Canada. Links were also made to the negative effects of the GST on consumer products.

It is worth noting, however, that while the discussion repeatedly returned to the costs of consumer goods, some participants among the opponent groups in Vancouver and Winnipeg were prepared to concede that competitiveness was important to the nation's and individual's prosperity. One respondent in Vancouver noted, "If I'm not competitive, I'm dead. We're not using our heads. We are throwing up our hands and saying that's the way it is."

Despite negative reactions to international competitiveness among FTA opponents, most participants (both moderate supporters and opponents) reported that competitiveness and exports would be important to Canada's economic future. Focus group attendants reported that our economy is based on exports and that



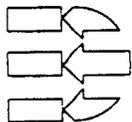
increasing exports would be necessary. Concern was expressed, however, about increased export of natural resources. Participants were of the view that the continued export of natural resources would not only deplete supplies here at home, but result in the loss of potential processing and manufacturing jobs in Canada.

(ii) Exports

Participants in all six groups were questioned on what constitutes Canada's major exports. Overwhelmingly, respondents in all groups identified natural resources, agricultural products and raw materials as the nation's primary exports. In Vancouver, respondents were most likely to identify lumber and natural resources. Residents of Winnipeg identified wheat and grains, lumber, coal, oil, gas, raw materials, water and hydro.

In two groups, concern was expressed about the exporting of water. In both Winnipeg and Vancouver, participants identified human resources (notably doctors and nurses) as Canadian exports. This was also mentioned in Ottawa, where FTA opponents pointed out that many of our best people moved to the United States for better and more lucrative job opportunities. They cited a 'brain drain' as a problem and expressed concern about declining opportunities in Canada.

Participants were generally of the view that Canada was too reliant on the export of its natural resources. They believed that Canada had to diversify its export portfolio and concentrate more efforts on processed or manufactured goods as a means of protecting and expanding jobs in Canada. Most participants agreed that Canada is a resource-rich country, but that natural resources were over-exploited (particularly in the Vancouver groups) and would eventually dry up. Again, concern was expressed that if Canada continued to export its natural resources, it would deplete domestic supplies and at the same time lose job opportunities for Canadians.

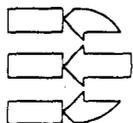


Participants in Ottawa were probed specifically on their perceptions of the amount of material produced in Canada that was exported. In both groups, assessments fluctuated dramatically from a high of more than 90% of all the goods and services produced in Canada (including natural resources) to a low of 10%. No consensus emerged among participants in either group on the volume of exports. It was clear that respondents in both the Ottawa groups were uninformed about the volume of exports in Canada and were guessing in their responses.

When probed on exports beyond natural resources, respondents identified such goods and services as medical know-how, scientific technology (specifically aerospace technology, electronics, R & D, Bombardier products, telecom products and the Canadarm) and high-tech products. It should be noted, however, that these exports were not top-of-mind. Respondents did not readily identify exports such as these until they had exhausted a list of natural resources and agricultural products.

When further probed on perceptions of what Canada should be exporting, respondents were somewhat divided. Several participants reported that Canada should concentrate on exporting processed natural resources (again, to protect and expand jobs) while several reported that we should concentrate on manufacturing, R & D and high-technology. Only a small minority of FTA opponents pointed out that we should not, in fact, be looking for additional products to export, but should concentrate on supplying our domestic markets and making Canada self-sufficient.

Discussions about what Canada should be exporting were, in all groups, linked to an ability to create jobs. Respondents recognized that attempting to export "finished" or secondary products and to be more involved in manufacturing would lead to more jobs in Canada. Again, however, concern was expressed about Canada's ability to compete against manufacturing operations in the United States. Moderate

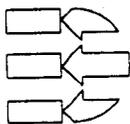


opponents of the FTA in each city were quick to point out that while manufacturing jobs were preferred, Canada had, in fact, lost manufacturing jobs as a consequence of companies re-locating to the U.S. post-FTA implementation.

Interestingly, respondents in three groups (two in Winnipeg and the opponent group in Vancouver) pointed out that Canada should be exporting environmental technology. While respondents pointed out that it would be hypocritical for Canada to export environmental technology and expertise until it had 'it's own house in order,' they were receptive to Canada playing a larger role in international environmental protection.

Generally, all respondents agreed that Canada was an exporting nation. While a few respondents preferred that Canada concentrate its efforts on its domestic market, the majority view was that Canada would continue to be an exporter. There was a general belief that the nation had to move away from exporting natural resources (due to both depletion of supply and lack of job opportunities) and toward manufacturing-based or processed goods and technology. Participants in all groups identified Canada's potential as an exporter of high-technology and there was a sense of pride in Canada's accomplishments and potential in this area.

Respondents were further probed on whether or not a link existed between Canada's competitiveness and its prosperity. The majority in all groups (both supporters and opponents of the FTA) conceded that the two were definitely linked. The majority pointed out that it is only through greater efficiency and a competitive edge that Canada will be able to prosper in the future. Several participants were quite sanguine in their comments, saying that there was no going back, that the world was becoming increasingly competitive and that we in Canada have no choice but to place an emphasis on competitiveness if we want to continue to prosper.



V. FREE TRADE

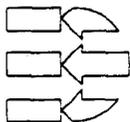
(i) Defining Free Trade

Participants in all six groups were asked what the general term "free trade" (apart from a specific agreement) meant to them. While it was virtually impossible for most participants (both supporters and opponents) to respond without the context of the Canada - U.S. Free Trade Agreement, supporters were inclined to identify the lack of restrictions on trade, the removal of tariffs and the removal of duties on products between countries involved in a free trade agreement as their definition. ("no restrictions on trade;" "opening up the market;" "back and forth with little structure;" "tariff-free;" "accessing new markets"). There was some confusion about duties in the discussion with several participants pointing out that free trade had not removed duties on consumer goods purchased in the U.S. and brought into Canada.

Moderate supporters in Ottawa were among the most inclined to cite positive aspects of 'free trade' with comments like: "it means more competition and a more competitive economy;" "good thing -- it weeds out monopolies and makes us more competitive;" "some weeding out of shaky-ground companies;" "larger market equals larger competition."

Supporters in both Winnipeg and Vancouver were also positive in their definitions of free trade. They recognized that free trade meant the removal of tariffs and placed Canada on "an equal footing." While supportive participants were generally positive, they too pointed out shortcomings within the Canada - U.S. Free Trade Agreement specifically, saying that it has not turned out as they had expected, that there have been job losses, and that they are uncertain about the content of the agreement.

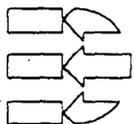
Interestingly, supportive participants in each of the three cities pointed out, on an unaided basis, that the long-term effects of free trade would be beneficial. They



acknowledged that there would be short-term adjustments and difficulties. It is worth noting, that even among moderate opponents, there was a sense that perhaps longer-term benefits might accrue as a consequence of free trade. While opponent participants offered this view somewhat grudgingly, they did agree that longer-term benefits might be realized, although they believed the longer-term could be up to twenty years away.

Moderate opponents in Ottawa were most negative in their assessments or definitions of free trade. Again, they were unable to define free trade outside the context of the Canada - U.S. Free Trade Agreement. Comments included: "an unfair agreement between the U.S. and Canada;" "loss of opportunity and cheaper U.S. labour;" "Americanization;" "it was shoved down our throats." Some comments were more positive including: "free trade means an ability to trade more;" "as opposed to protectionism and tariffs;" "an opportunity, but with the U.S. FTA I feel negative;" "long-term benefits but adjustment problems." When asked directly how they felt about free trade (through a show of hands), eight out of nine participants in the Ottawa opponent group described free trade as a "bad thing."

These comments reflected comments among moderate opponents in both Vancouver and Winnipeg, although the two western cities were not as negative in their discussion. In Vancouver one respondent pointed out that "...eventually we will do well, but in the meantime, we're going to be hurting." Another said that free trade was "ahead of our time" and another pointed out the loss of jobs. Again, when asked to indicate by a show of hands whether they believed free trade was a good or a bad thing, ten out of eleven respondents in Vancouver said it was a "bad thing." The same ratio of opposition was apparent in the Winnipeg opponent group.



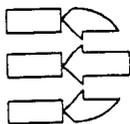
In each opponent group, concerns were expressed about the size of the United States in comparison to Canada. Several respondents pointed out that we simply cannot compete with a nation such as the U.S. and that we will eventually be 'swallowed up.' Participants wondered why the U.S. was so interested in such an agreement and concluded that the agreement was skewed to U.S. advantage. In addition, persons in each of the opponent groups expressed frustration about the content of the Canada - U.S. FTA, saying they were uncertain what was in it and how it was negotiated. Several expressed a concern that it was badly negotiated and the public was kept uninformed of the content of the deal.

(ii) The Canada - U.S. Free Trade Agreement

Not surprisingly, opinions about the Canada - U.S. Free Trade Agreement (FTA) varied most significantly between moderate supporters and moderate opponents to the agreement.

Moderate supporters of the FTA in each of the three cities in which focus groups were conducted readily identified 'positives' when asked to air their views on the existing FTA. In Ottawa, respondents were particularly positive pointing out that Canada must broaden and maintain its ties with the United States. Despite positive assessments, however, supportive participants in Ottawa again pointed out that short-term pain was inevitable, that there would be adjustments and that it would be difficult for those Canadians working in "protected or subsidized" jobs ("The disadvantages are all in the adjustment phase; advantages will make the whole agreement more efficient and a natural equilibrium will occur.")

Similar, although somewhat less positive, perceptions were reported among moderate supporters in Vancouver and Winnipeg. In Vancouver participants pointed out the advantages of access to the U.S. market under free trade and the advantages of a level

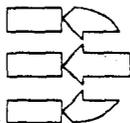


playing field, citing specific examples ("the FTA stopped the U.S. from petty restrictions on our pork products"). Residents of Vancouver also pointed out that there would be short-term difficulties in adjusting to free trade ("I don't know of an economic treaty that didn't bring benefits. In the short-term there will be problems"). Several respondents shared the view that it was too early to criticize the FTA ("It will be 5 - 10 years before we see the benefits;" "I would say in another 2 - 3 years, once things start happening, you'll see goods moving sooner than you anticipated;" "When FTA began, the U.S. economy took a nose-dive, but improvements will come with recovery").

Supporters in Winnipeg echoed the views of supportive residents of Vancouver. They too pointed out that the benefits of free trade with the U.S. would not be felt for some years to come (e.g., "I understand it's a twenty year plan").

The moderate supporters also pointed out that they were, in many ways, unfamiliar with the content of the FTA. They lacked information on which to make informed comments about the benefits, relying on their pervasive view that it would take some time for the benefits to be fully realized.

Not surprisingly, moderate opponents of the FTA were significantly harsher in their assessments of the Canada - U.S. Agreement. All opponent groups pointed out a concern about a further assimilation with the United States or, what one respondent called, "Americanization." In addition, concerns about free-trade with the U.S. centred on the loss of jobs resulting from the signing of the deal, the move of manufacturing-based companies to the U.S. and the additional difficulties Canadians were feeling with the GST.

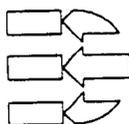


It is worth noting, again, that even among moderate opponents to the Canada - U.S. FTA, there was a pervasive view that there may be benefits in the longer-term ("not past short-term adjustment yet"). Participants were not prepared to reject the deal entirely, but were prepared to withhold judgement until they had a better idea of the longer-term benefits that might accrue.

Moderate opponents of the FTA also singled out the negotiating process in their concerns about the agreement. They were strongly of the view that Canada did not get the best deal possible primarily because Canada was represented by poor negotiators and politicians. These reactions were driven, in part, by the general unpopularity of the government. There was a relatively strong belief that the U.S. was able to come out of the negotiations as the winner.

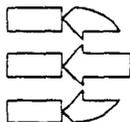
While substantial probing on the negotiating process itself was not included in the moderator's guide, it is worth noting that the negotiating process was identified, on an unprompted basis, as a significant concern among respondents in the opponent groups. While moderate opponents were unable to identify specific concerns regarding the negotiation process, negative perceptions of the free trade agreement appeared to coalesce around the negotiations. Given that moderate respondents were unable to articulate particular concerns about the content of the Agreement, they tended to return to negative impressions of the negotiations as the focal point for their criticism.

As noted, moderate opponents tended to believe that the United States came out of the negotiations as the winner. While not explicitly stated, respondents in the opponent groups indicated that the Canadian negotiators were forced into compromises that were perceived as 'giving in' to American demands in the negotiating process.



Furthermore, there was some discussion about the 'closed-door' nature of the negotiating process. Moderate opponents felt that they knew little about the content of the deal because the agreement was struck by a team of negotiators (including unidentified federal government representatives and politicians) behind closed doors. There was a view among all opponent groups that had the negotiations been conducted in a more open manner, they would have better understood the content of the deal and would have voiced their concerns about particular components (notably discussions related to energy and water) at the time they were being negotiated.

Several respondents in the opponent groups expressed a view that the Canada - U.S. Free Trade Agreement was signed and passed without their full knowledge of the content. They tended to blame this lack of understanding and knowledge on a failure to be kept apprised of the negotiating process as it unfolded over several weeks and months. It was clear that the majority of the moderate FTA opponents lacked understanding or knowledge of the content of the Agreement. Rather than accept a personal responsibility for this lack, most tended to blame the negotiating process and parallel lack of communication for their poor understanding or familiarity with the content.



VI. THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

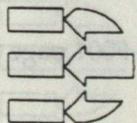
(i) General Impressions of NAFTA

Perhaps the most important finding with regard to the discussions on a North American Free Trade Agreement was the pervasive view among virtually all participants that if the United States and Mexico were going to negotiate a Free Trade Agreement, Canada had to be at the table. Both moderate supporters and moderate opponents in all three cities were strongly of the view that Canada has to make sure that its interests are protected.

Interestingly, the level of awareness of negotiations for NAFTA were markedly lower in both Vancouver and Winnipeg compared to Ottawa. While moderate FTA opponents were somewhat more aware, residents of the two western cities displayed less awareness of negotiations involving Canada, the United States and Mexico. While participants in each of the groups recognized that Canada was involved in the negotiation of a possible trade agreement, awareness beyond 'talks' was minimal.

When asked about their general views on the negotiations for trilateral trade, respondents' views were mixed. Supporters, not surprisingly, were significantly more positive in their general views. In Ottawa, moderate supporters pointed out that there would be advantages resulting from a North American trading bloc and that such an agreement will strengthen the North American position in GATT talks and with other countries around the world. ("whole bloc becomes slightly stronger;" "our position is stronger to negotiate in the GATT or with other countries;" "one step closer to global free trade;" "struggling industries can take advantage of cheap labour;" "we can benefit politically...trade benefits communication").

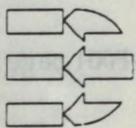
Among supporters in Vancouver, only two of eleven respondents indicated that they were opposed to Canadian negotiations with the U.S. and Mexico. Residents of Vancouver were quick to point out that Canada had to be involved in the negotiations



if the U.S. and Mexico were undertaking negotiations for a free trade agreement between their two countries ("If we are not there now, Mexico and the U.S. would negotiate their own agreement;" "If the U.S. is holding all the cards, we will get nothing"). Residents of Vancouver also pointed out that a North American Free Trade Agreement may be helpful, given the strength of the European Community.

The moderate supporters of the FTA in Winnipeg were less enthusiastic about tri-lateral trade negotiations ("I don't know where we are. I regard it as a non-event"). Only three of the ten supporters of the FTA believed that it would be a "good thing." The rest of the group was either undecided or opposed. Despite less enthusiasm in Winnipeg, respondents also acknowledged the importance of Canada participating if the U.S. and Mexico were discussing a trade deal. They were also able to identify potential advantages as a consequence of a negotiated agreement, volunteering that it "may be a bridge to expanded trade in Latin America."

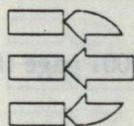
It is important to note that in all three cities and among both opponents and supporters, the motivation behind Canada's involvement in the negotiating process was driven by a pervasive belief that the United States would have the upper hand if Canada were not involved. There was virtual unanimity in the view that Canada had to "protect its interests" against the United States and that Canada would be "left out" if the United States proceeded with Mexico. While supporters were more inclined to foresee benefits for Canada, they too agreed that one of the main reasons Canada needed to be involved in the negotiations was to protect its interests and not allow the United States to 'get ahead.' (I'm supportive because we're so closely tied with the United States;" "If we didn't, we would be left out;" "We want to have some competitive advantage;" "we have to protect our interests;" "make sure we don't get sold down the river").



While moderate FTA opponents were more opposed to the tri-lateral negotiations, they recognized and conceded the importance of Canada participating in any negotiations between the United States and Mexico. In Winnipeg, FTA opponents were able to foresee some advantages, particularly as they related to a trade bloc ("It could create a bloc and get all of North America together, therefore, I could be supportive;" "I could be supportive, if it is explained to me as an effective program"). Similarly, moderate FTA opponents in Vancouver, while raising several concerns, were prepared to acknowledge potential advantages including higher paid, high skilled jobs in Canada. In addition, Vancouver FTA opponents pointed out that there may be longer-term benefits, although the short-term would be painful.

The issue raised most often and the issue that divided moderate FTA opponents and supporters most dramatically was the issue of wages. Moderate FTA opponents were strongly of the view that cheap Mexican labour would threaten Canadian manufacturing jobs and would reduce Canada's standard of living. They believed that Canada could not compete against significantly lower wages paid to Mexican workers and that companies would locate to Mexico to take advantage of a cheaper labour market. Moderate opponents to the FTA in all three cities expressed strong concerns about the effect an agreement would have on Canadian wages. In Ottawa, the group was also concerned about a potential exploitation of Mexican workers by companies that would locate to Mexico to take advantage of a cheap labour force. In Winnipeg, FTA opponents reported a fear of job loss and wage reduction in Canada, citing the FTA as responsible for several plant closures since its implementation. FTA opponents in Vancouver also raised the issue of wages, reporting that a tri-lateral agreement would have a negative effect on Canadian wages.

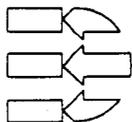
In stark contrast, moderate FTA supporters were strongly of the view that tri-lateral trade would force a reduction in Canadian labour wages, a reduction they viewed as a good thing to ensure Canadian competitiveness. Residents of Ottawa were most



strident in this view ("The biggest advantage will be that it will drive down labour costs here"). FTA supporters in both Vancouver and Winnipeg shared this view, although they were less intense and reported that there may be some difficulties in adjusting to trade with a country that had significantly lower labour costs. Residents of Winnipeg pointed out that wages in Canada were too high compared to both the U.S. and Mexico. They expressed significant concern about current wage negotiations among unions in Canada, citing Canada Post specifically. Winnipeg participants used the Canada Post example as one where wages were too high to effectively compete with other countries in the world.

While wages dominated as the main issue in initial reactions to a North American Free Trade Agreement, other issues were raised when respondents were probed on the potential advantages and disadvantages. Among FTA opponents, environmental concerns were raised in all three cities. While the discussion on environmental impact was brief, participants in each group pointed out that Mexico had no environmental standards and was not "environmentally conscious." One Winnipeg FTA opponent pointed out that, according to David Suzuki, Mexico would be uninhabitable (due to pollution) by the year 2000.

Another issue that was consistently raised by moderate FTA opponents was the potential impact on Canadian social programs. While the discussion on social programs was brief, at least one participant in each opponent group raised the potential problems for our medicare system and questioned whether or not we would be able to maintain such a system if we were going to be more competitive with both the U.S. and Mexico. Moderate FTA opponents in Winnipeg were of the view that there could be no compromise on our health care system in any negotiations.



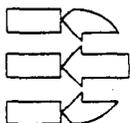
Moderate FTA opponents in Ottawa pointed out that the negotiations were proceeding too quickly and that Canada has not yet had enough time to fully understand and assess the Canada - U.S. Free Trade Agreement ("its happening too fast - we haven't had time to monitor and understand the effects of the Free Trade Agreement"). This view was repeatedly expressed by moderate FTA opponents who insisted on a provision of more information prior to final negotiations and an agreement.

Because the issue of wages dominated discussions in Ottawa, participants in Vancouver and Winnipeg were presented with a statement and asked to comment. Participants were provided with the following printed statement:

"If cheap labour was the sole determinant of plant location, then why is it that 87 per cent of the goods Canada imports come from the U.S., Europe and Japan, rather than low-wage countries?"

Interestingly, respondents in both the opponent and supportive groups in both cities quickly came to the conclusion that the goods Canada imports from the U.S., Europe and Japan are of a higher quality than those imported from low-wage or third world countries. In each group, quality emerged as the dominant reason for importing from industrialized nations. Most participants conceded that the "products are better."

The moderate opponents in Winnipeg were further probed on the statement. When told that German wages, vacations and hours were better than Canadian, participants pointed out that Germany remains competitive because it does not have the social programs available in Canada. It is worth noting that few respondents were able to



comment on the comparatively high wages, longer vacations and shorter work week in Germany. While they conceded that product quality was high (notably automobiles), they were unable to identify reasons for the continued competitiveness of the country.

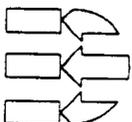
(ii) Impressions of Imports and Exports between Canada and Mexico

Respondents were probed on their impressions of the types of goods and services that might be traded between Canada and Mexico under a trilateral free trade agreement.

In general, respondents had a difficult time identifying goods or services that Mexico would export to Canada. Repeatedly, respondents pointed out that Mexico was poor, had a low standard of living and was not a manufacturer of goods that Canadians would want or need. When pressed on what Mexico might export to Canada, participants identified agricultural products (notably fruit), textiles, clothes, pottery and inexpensive art objects, and, in two groups, participants mentioned oil or petroleum products. Tequila and straw hats were also, jokingly, mentioned.

It was clear that Canadians were unable to identify products that were produced in Mexico for which there would be a market in Canada. Mexico is viewed as a poor nation with few goods and services to offer to more developed nations with considerably higher standards of living.

When respondents were asked what Canada might export to Mexico, a range of goods and services were identified. Interestingly, there was a pervasive view in Winnipeg and Vancouver that Canada could export technology and technological expertise. While some agricultural products, foods, fish, lumber and other resources

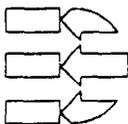


were mentioned, participants in both the opponent and supportive groups were most receptive to exporting technology and technological expertise (ranging from agricultural to medical to environmental and telecommunications technology and expertise). There was a pervasive view that because Canadians were better educated, more advanced and enjoyed a higher standard of living, they would be able to offer expertise that would enhance productivity and the standard of living within Mexico. Again, there was a sense of pride in Canadian accomplishment and development of expertise that came through in this discussion.

It was clear that participants saw greater opportunities to export products to Mexico rather than import. All groups had a difficult time identifying products that might currently be imported from Mexico.

(iii) Beneficiaries of Tri-lateral Trade

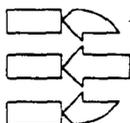
Respondents in each of the three cities were asked who they believed would benefit most from a North American Free Trade Agreement. Interestingly, participants were divided in all groups, with no consensus emerging. Supporters of the FTA were somewhat more likely to identify Canada as benefitting most from a North American Agreement, particularly participants in Ottawa. ("We have the most potential, we just have to get our act together and make sure that taxes go down;" "In the long-term Canada will benefit most because we will be forced to be more competitive"). Moderate supporters in Winnipeg were more inclined to identify the United States as the largest beneficiary ("U.S. will benefit most because of geographic location;") but three respondents pointed out that, over the longer-term, benefits will balance out ("In the short-term the U.S. will be the biggest beneficiary because they have the greatest expertise and distribution system. But in the long-term it will balance out;" "In 20 - 30 years it will balance out, but U.S. will benefit the most in the short-term").



Supporters in Vancouver were somewhat more inclined to report that the U.S. will be the primary beneficiary ("U.S. will gain by keeping Mexicans at home") but several respondents also believed Canada could benefit. Interestingly, one respondent stated, "I don't know if we'll gain that much, but if we don't get in, we'll lose."

It is worth noting that among moderate FTA supporters, few participants identified Mexico as the primary beneficiary of a three-way free trade agreement. It was moderate FTA opponents who were more inclined to identify Mexico as benefitting most from an Agreement. Clearly, support for NAFTA is driven, in part, by a sense that Canada will benefit from such an agreement. Among opponents, Canada is rarely identified as benefitting most, but opponents recognize potential benefits for Mexico. In Winnipeg, moderate opponents to the FTA pointed out that "Mexico will do best because they have the most to gain" and "we'll probably give something up to help Mexico out." Moderate opponents, while not strongly supportive of 'helping Mexico out' were prepared to accept this as a potential advantage to tri-lateral trade negotiations. Even participants in the Ottawa group (who were more opposed than other Canadians) were most inclined to identify Mexico as the country benefitting most from a North American Free Trade Agreement. While four participants in the moderately opposed Ottawa group identified Mexico, they expressed concern about how Mexico would adjust and were uncertain about any advantages for Canada.

It is worth noting that in all groups, participants were ambivalent about the United States. While several respondents expressed some antipathy towards the U.S. and stated that the U.S. would be the major beneficiary of three-way trade ("why else are they there?"; "they've got more to gain than anyone"; "it's their initiative"), there was also a recognition among most participants that dealing with the U.S. was unavoidable and could yield some benefits to Canada.



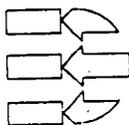
When probed specifically on the benefits of NAFTA, supporters were readily able to identify several. Moderate FTA supporters in all cities recognized the advantage of a larger market in Mexico although some scepticism was expressed about Mexico's ability to afford to purchase Canadian goods. The supportive group in Ottawa focused on the advantage of Canada's bargaining position resulting from three-way trade ("gives us more bargaining position. We'll be one of three rather than one of two;" "better for bargaining, together with Mexico"). In Vancouver, in addition to opening new markets, supporters identified such benefits or advantages for Canada as improved buying power and a new freedom to market new products anywhere in North America.

Interestingly, even those moderate FTA opponents were able to identify some advantages for Canada. While opponents overwhelmingly stated that "Canada has to be there to protect its interests," respondents in Ottawa pointed out it could establish North-South trade patterns and opponents in both Vancouver and Winnipeg referenced potential opportunities to sell Canadian goods and services.

(iv) The Negotiating Process

In general, respondents were unhappy with the negotiating process for the Canada - U.S. Free Trade Agreement. While opponents were more intense in their views, there was a pervasive sentiment that the U.S. got a better deal, that Canada gave in on important components of the agreement (notably energy and water) and that the public was not kept informed of the negotiation process and the content of the agreement.

Much of the antipathy was directed at the government and politicians with little identification of trade negotiators.

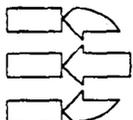


There was a pervasive view that the public needs more information about free trade, particularly given Canada's involvement in a new round of negotiations that include the United States and Mexico. While a few participants commented that information was available during the negotiations for the Canada - U.S. FTA, few respondents accepted this and demanded that they be kept apprised of the negotiating process in this round.

While significant antipathy toward the negotiation process was registered, participants were unable to identify specifics within the process of which they were particularly critical. Most reported that they did not have enough information.

When respondents were probed on exclusions in the negotiations for a North American Free Trade Agreement, few were identified. Most respondents reported that "everything has to be on the table if it is going to be a fair process." Supporters of the FTA were more inclined to report that everything needed to be on the table in the NAFTA negotiations ("must exclude nothing, or they'll want to exclude things;" "if we hold back, they'll hold back"). Even among supporters, however, energy was raised as a possible exclusion. Concern remained high about energy in the Canada - U.S. Free Trade Agreement, with respondents pointing out that under the FTA, in times of crisis or shortage of supply Canada would have to honour commitments to the U.S. prior to servicing its domestic needs.

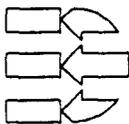
Among FTA opponents in all three cities, concern was expressed about Canada's health care system. Participants believed that the health care system in Canada had to be excluded from a North American Free Trade Agreement.



In both Ottawa and Vancouver some concern was expressed over Canada's cultural industries (with film and television being referenced specifically). One participant in Winnipeg cautioned that we should "keep our fingers crossed that we have a Canadian identity at the end of negotiations". It should be noted, however, that references to cultural industries, cultural sovereignty and a Canadian identity were not frequent.

Again, as noted in the previous section (Section V - Free Trade), the focus on the negotiating process was largely unprompted. Respondents, notably moderate FTA opponents, tended to focus on the negotiating process as a means of receiving information about a North American Free Trade Agreement. Respondents acknowledged that they were ill-informed about the FTA (again, blaming their lack of knowledge on a perceived closed negotiating process), but demanded that they be kept better apprised of negotiations during talks on a trilateral free trade agreement. They did not want to see a repeat of the Canada - U.S. round which they perceived as being overly secretive. In a new round of negotiations involving Canada, the United States and Mexico, moderate opponents insisted that they be informed of the status of negotiations, contentious issues, what specifics were being negotiated throughout the process and how the Canadian team was responding to the variety of issues that would be explored throughout the negotiating process. It was felt that more open communications would better equip Canadians to offer their commentary and views on different components of a potential Agreement. It should be noted, however, that there was no discussion on how individual Canadians might communicate their views to the government or the negotiating team.

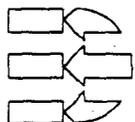
These findings are consistent with general findings of the last two years that indicate Canadians are increasingly demanding a say in major policy decisions and negotiations on a range of issues. They want to be heard. They do not want decisions imposed on them without recourse to a forum in which to express their views.



There existed a strong view that communications during the negotiating process would be an important means of assessing the content of a potential North American Free Trade Agreement. Participants did not identify other means of receiving or obtaining information related to the content of a potential agreement. They wanted to avoid a perceived frustration with the Canada - U.S. negotiations stemming from a reported lack of information and wanted to ensure that they understood, and were able to comment on, the components of an Agreement prior to its acceptance by negotiators.

Comments made at the end of the opponent groups conducted in Vancouver and Winnipeg reinforce this view (see Section VII - Advice to Minister/Negotiators). Both moderate FTA supporters and opponents in both cities pointed out that they wanted more information about this round of negotiations. They wanted to ensure that they understood what was being negotiated at the time of negotiations. They also wanted to ensure that the negotiating team understood what Canadians wanted and reflected their views in the negotiating process.

These views were driven, in part, by a view that the Canadian negotiating team might back down or compromise on some issues that the public would not accept. There was some sense that the U.S. position would prevail and participants wanted to ensure that that did not occur.



VII. TRADING WITH THE THIRD WORLD

In general, respondents in all six groups were well-disposed toward increased trade with the third world. There was a general sense that increased trade with third world countries would be beneficial to those countries and would result in some (although limited) opportunities for Canada.

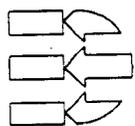
Not surprisingly, some reservations about third world trade existed. Participants pointed out that the quality of goods from the third world was usually inferior, although several acknowledged that there had been significant improvements in the quality of goods from such countries as Korea and Taiwan and from the Pacific Rim over the past several years. Participants also expressed concern about cheap labour costs in third world countries and linked this to an ability to undercut Canadian production costs on some goods.

Finally, concern was also expressed about the lack of money within third world countries with which to purchase Canadian goods. There was a sense that trade with the third world would probably be one-sided at least until third world countries were able to establish stronger economies (as some Pacific Rim countries have done).

In both Winnipeg and Vancouver, participants were again presented with a statement and asked to comment on its content. The following printed statement was provided:

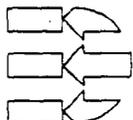
"What has the third world said ever since 1970? They have said: "Trade -- not aid." Do not send us gifts, goodies and tell us how to run our economy: trade with us."

In general, participants agreed with the statement and responded positively, pointing out that third world countries did not want hand outs and would never become more prosperous if money was simply given to them. Some concerns were expressed about how aid monies were distributed, with respondents questioning



whether or not it benefitted 'ordinary people.' Others questioned the ability of third world countries to engage in two-way trade, pointing out that most did not have enough money to purchase Canadian goods and services. There was a general sense that, at least in the short-term, trade with third world countries would be primarily one-way until they were able to build their economies and afford to purchase Canadian goods and services.

Respondents were receptive to expanding trading relationships with third world countries as a means of helping them. Virtually all participants presented with the statement pointed out that trade was preferred to aid.



VIII. FOCUS GROUP PARTICIPANTS' ADVICE TO MINISTER/NEGOTIATORS

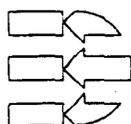
As a wrap-up to the groups, respondents were asked what one piece of advice they would give to the Minister of International Trade or NAFTA negotiators as negotiations progress.

In their advice, most participants cautioned the Minister/negotiators not to give up everything and not to bow to the United States. In Winnipeg, moderate FTA supporters specifically mentioned being cautious about our natural resources and not giving away anything to appease the U.S. ("be more careful of our resources. Keep more for ourselves;" "don't give up everything;" be very careful with natural resources"). Residents of Winnipeg also wanted the Minister to demonstrate leadership, to be fair and to "manage the trade." They insisted on being kept apprised of the process and of being provided with information.

Moderate supporters in Vancouver expressed similar views, again stressing the need to communicate with Canadians about the process and the content of a potential agreement. They also advised Canada to "be strong, don't be 'yes' men," "be flexible but set your limits," "be fair." Residents of Vancouver also stressed the need for a good team of negotiators with a specialization in international trade.

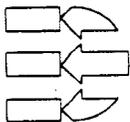
Interestingly, moderate FTA opponents did not differ significantly in their advice. Again, the need for information was stressed as was keeping Canadians informed ("get a feel of what the people want, don't ram it down our throats," "do market research like this and listen to what we say").

Generally, participants wanted to ensure that Canada was tough in its negotiations, but also fair. There was significant concern that Canada would again not get a good deal with the U.S. and they did not want Canada to be "steamrollered." There was a strong demand for information, for keeping the public informed and for ensuring that negotiators listen to what Canadians want.



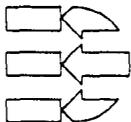
IX. CONCLUSIONS

- In general, few regional differences emerged in participants' assessments of competitiveness, free trade and the North American Free Trade Agreement. Residents of Ottawa were more polarized and intense in their views than residents of either Winnipeg or Vancouver.
- Participants in all three cities were receptive to (if not fully supportive of) competitiveness as a means of ensuring Canada's economic well-being and perceived high standard of living. Both moderate supporters and moderate opponents conceded that there were clear links between the nation's ability to compete and its prosperity.
- Moderate FTA opponents expressed significant concern about Canada's ability to compete given the perceived high tax rate in Canada, the deficit and the high costs of consumer goods.
- While supporters and opponents of the Canada - U.S. Free Trade Agreement maintained their positions on the deal, most participants (including moderate FTA opponents) held the view that longer-term benefits might accrue to Canada as a consequence of the free trade agreement between the two countries. No consensus emerged on what constitutes the 'longer-term,' with responses ranging from as little as two to three years to twenty years or more.
- The same cautious view about the potential for longer-term benefits was applied to assessments of the North American Free Trade Agreement. Again, both moderate FTA supporters and opponents were of the view that there was at least potential for longer-term benefits. Not surprisingly, FTA supporters were more firm in this view, identifying such benefits as access to a larger market, increased opportunities to export Canadian goods and expertise (notably high-tech and

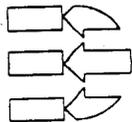


telecommunications products and expertise) and greater opportunities for jobs in Canada. Moderate FTA opponents, while conceding a potential for longer-term benefits, expressed concern about job losses, the movement of manufacturing-based industries to the U.S. and the difficulties of a country the size of Canada competing with the United States.

- Focus group responses indicate a significant opportunity to position Canada's involvement in tri-lateral trade negotiations as a "must be there" role. Overwhelmingly, participants in all groups reported that if the U.S. and Mexico were proceeding with free trade negotiations, Canada had to be involved in the process. This view was driven by a belief (particularly among moderate FTA opponents) that Canada had to protect its interests and had to ensure that the United States did not unduly benefit from an agreement. Opponents registered significant antipathy toward the U.S., driven primarily by a view that the United States got a better deal in trade negotiations for the FTA. Moderate FTA supporters, on the other hand, while agreeing that Canada had to be at the table, identified benefits for Canada resulting from a North American Free Trade Agreement.
- The most contentious issue and the issue which most clearly divided moderate supporters and opponents was that of wages. Moderate FTA opponents were strongly of the view that expanded trade with Mexico would have a negative impact on Canadian wages and standard of living. They expressed significant concern about the impact of cheap labour in Mexico eroding manufacturing opportunities in Canada. Moderate FTA supporters, on the other hand (most notably in Ottawa), were firmly of the view that increased competitiveness could only be achieved by downward adjustments in Canadian labour wages.

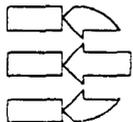


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- Participants were generally concerned about the negotiating process, insisting that Canada protect its interests and not bow to the demands of the United States. There was a desire for a leadership role in the negotiating process that was characterized by toughness, resolve and a desire to get the best deal for Canada. There was significant antipathy directed at the government and politicians generally. Respondents wanted experienced, knowledgeable individuals to participate in negotiations for NAFTA.
 - Caution should be exercised in communications surrounding particular components of the negotiating process and a potential agreement. Participants expressed concern about negotiations involving Canada's natural resources, particularly energy and water. All opponent groups mentioned energy as a sensitive area (driven by negative perceptions regarding energy and the Canada - U.S. Free Trade Agreement). Participants in Winnipeg and Vancouver also expressed concern about the export of Canadian waters.
 - Little recognition of potential Mexican exports was evident among participants. All groups had difficulty identifying Mexican goods or services that might be imported to Canada. There was significantly more discussion about Canadian exports to Mexico, notably agricultural products, natural resources, technology and technological expertise.
 - No consensus emerged on which of the three countries would benefit most from a North American Free Trade Agreement. Significant anxiety about the United States was expressed (driven by a view that the U.S. got the better deal in negotiations for the FTA), although moderate supporters were prepared to

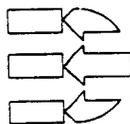


identify significant benefits for Canada in a three-way deal and moderate opponents identified benefits for Mexico. Clearly, support for NAFTA is driven by a belief in opportunities and benefits for Canada. Opponents to the FTA are unable to see substantial benefits for Canada and point to Mexico as the primary beneficiary.

- Concern was expressed about Mexico's ability to pay for goods and services it may potentially import from Canada. Given participants' view that Mexico's standard of living and economy was significantly lower than Canada's, participants (notably moderate FTA opponents) had difficulty imagining Mexico providing goods or services to Canada.
- While similar concerns were expressed about trade with third world countries and their ability to pay for Canadian goods and services that might be exported, the majority of respondents believed that there would be advantages (particularly for third world countries) in increased trade with such countries. Despite concerns about quality of goods and ability to pay, most participants were receptive to the notion of 'trade, not aid.'
- In their advice to the Minister / negotiators, participants were insistent that they receive information about the process and progress of negotiations. Most felt that they had not received enough information during the FTA negotiations and expected more in a NAFTA round. Participants also strongly cautioned Canadians involved in the negotiating process about the role of the U.S. (demanding that the U.S. not get the 'upper hand'). They also expressed strong caution in negotiations involving Canada's natural resources.

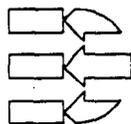


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- Most participants seemed to believe that Canada's participation in negotiations for a North American Free Trade Agreement was inevitable. While moderate FTA supporters were significantly more positive in their views about such negotiations, moderate opponents recognized a trend toward increasing international competitiveness and the need for Canada to participate if the U.S. and Mexico were proceeding with free trade negotiations.
 - Initial opposition on the part of moderate FTA opponents was strong, although it was significantly softened as the discussion progressed as a consequence of the pervasive view that Canada had to be at the table.

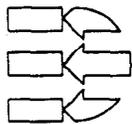


Technical Appendix

- A. Moderator's Guide — Ottawa*
- B. Moderator's Guide
Vancouver and Winnipeg*
- C. Recruitment Questionnaire*



A. Moderator's Guide — Ottawa



A Decima Research Focus Group Report to
External Affairs and International Trade Canada

MODERATOR'S GUIDE

FOCUS GROUPS: EXTERNAL AFFAIRS AND INTERNATIONAL
TRADE CANADA

SUBJECT: NORTH AMERICAN FREE TRADE AGREEMENT AND
COMPETITIVENESS

LOCATION: OTTAWA

=====

1. INTRODUCTION AND WARM-UP

- everyone participates
- role of participants
- confidentiality
- one-way mirror/audio taping
- first name and occupation

2. GENERAL ATTITUDES TOWARD THE ECONOMY AND ECONOMIC EXPECTATIONS (max. 15 minutes)

How do you think we compare economically with other industrialized countries?

And how about in terms of our standard of living here in Canada? How do you think we compare to other industrialized countries?

What other countries do we compare ourselves to? (Japan, U.S., EC?)

Are we better off today than we were then years ago?

3. INTERNATIONAL TRADE (35 - 40 minutes)

How important are exports to Canada's economy? Of all the things produced in Canada, what percent do you think are exported to other countries?

In the future, will international trade become more or less important in your opinion? Why and how?

Probe for:

- globalization of the world economy,
- economic interdependence,
- trading blocs

How do Canada's trade relations affect you personally in your daily life? How do they affect the future?

Thinking about the effect trade has on jobs in Canada, do you think it is better to protect jobs in Canada by relying on internal markets only or do you think we will be more likely to ensure more jobs by opening ourselves up to international competition?

How does trade affect jobs in Canada? Are there positive and negative effects? What are they?

Probe for:

- relationship between exports and jobs

Now, thinking of Canada specifically, what are our main exports?

Have the kinds of goods that we export changed over the last few years?

And do you think that it is better to export raw materials or finished/processed goods? (i.e., lumber vs. newsprint or iron ore vs. auto parts)

Why?

Which countries are Canada's major trading partners?

Which country is Canada's biggest trading partner?

What other large trading partners do we have?

What proportion of our exports go to (largest trading partner identified) and (other trading partners identified)?

Determine: order of importance, proportion of exports that go to each country.

Now, what are Canada's trading relations like with countries of the Third World?

And what kind of trade relations should we have with the Third World? Should we be trading more or less with the Third World? Why?

Do you think Canada is /should be threatened by competition from Third World countries (like Malaysia, the Philippines, Indonesia)?

Does increased trade with Third World countries help them in any way? (Trade not aid)

Do you think that the gap between the economies of the Third World and industrialized countries like Canada is changing (i.e., is it narrowing or widening)?

Does trade have anything to do with this change? How?

BREAK: 5 - 10 minutes

4. THE NORTH AMERICAN FREE TRADE AGREEMENT (30 minutes)

When you think about the term "free trade" what does it mean to you?

What do you think about the existing Free Trade Agreement between Canada and the United States?

Is it a good or a bad thing? Why?

Now, how does a free trade agreement like the one Canada has with the United States change our trading relation with the country?

What are the advantages and disadvantages of a free trade relationship?

When the Canada - U.S. Free Trade Agreement was being negotiated, were you in favour or opposed to it at that time?

And have you changed your view? If yes, why?

I'd like to shift the discussion to the issue of international trade...

Thinking of the term "international trade", I'd like you to tell me what you think of when you hear that term. (connotation, key meaning)

When you hear the term "international trade" would you say you have a positive, a negative or a neutral reaction to it?

And in what context are you hearing the term "international trade" these days?

Why are we hearing the term "international trade" so much more recently?

Have you heard anything about discussions on a free trade agreement between Canada, the United States or Mexico?

What are the benefits of a free trade agreement between the three countries? What are the disadvantages?

As you might know, Mexico and the United States began talks about free trade between the two countries before Canada was involved. Do you think it is important that Canada be a part of a free trade agreement between the three countries or should Canada just let Mexico and the U.S. work out their own deal and leave Canada out? Why?

Of the three countries, which do you think would benefit most?

Why?

Prove for:

- new trade opportunities,
- new export opportunities for Canadian goods and services,
- investment opportunities in Canada,
- new opportunities/markets for Canadian entrepreneurs

Do you think that an agreement on free trade between Canada, the U.S. and Mexico would have a major or minor impact on our economy in the future? Would it be positive or negative? Why? What sectors would be most affected?

How much trade between Canada and Mexico is there currently?

Do you believe that a free trade agreement including Mexico, the U.S. and Canada would help Canada become more competitive?

Probe for:

- overall relative importance of this agreement in Canada's trade relations

How would this agreement fit in with Canadian economic and foreign policy?

What should Canada be trying to achieve in these negotiations?

During the negotiations on this free trade agreement, should everything be on the table? Why/Why not?

If not, are there products, services or sectors which should be excluded from the agreement? What are they?

What kinds of Canadian businesses or business people will succeed in the Mexican market?

What should our government be doing to get the most advantage out of a North American Free Trade Agreement?

Is there anything that should be done in a transition period between the kind of trade relationship we have now and the potential implementation of a North American Free Trade Agreement?

Probe for:

- adjustment, retraining

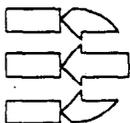
Some people think that a trade agreement that included Mexico would result in better relations between Canada and the countries of Latin America? Do you think this is true? If so, why?

Do you think NAFTA might lead to more trade with Central and South America?

Probe for:

- link between trade and economic development
- increase in diversity of trade
- improvement of conditions in Latin America and Third World countries

B. Moderator's Guide -Vancouver, Winnipeg



A Decima Research Focus Group Report to
External Affairs and International Trade Canada

MODERATOR'S GUIDE

FOCUS GROUPS: EXTERNAL AFFAIRS AND INTERNATIONAL
TRADE CANADA

SUBJECT: NORTH AMERICAN FREE TRADE AGREEMENT AND
COMPETITIVENESS

LOCATION: VANCOUVER AND WINNIPEG

=====

1. INTRODUCTION AND WARM-UP

- everyone participates
- role of participants
- confidentiality
- one-way mirror/audio taping
- first name and occupation

2. THE ECONOMY AND COMPETITIVENESS

How do you think we compare economically with other industrialized nations in the world?

And do you think that we have kept up with other industrialized countries? In what areas have we kept up or advanced? And in what areas have we fallen behind? Why?

Now, thinking of the term "international competitiveness" what does it mean to you? What do you think of when you think of competitiveness? Is your impression positive, negative, or neutral?

Thinking of competitiveness in terms of our economy in Canada, how does Canada compare with other countries? Are we an economically competitive nation? What are our strengths and weaknesses in terms of our competitiveness?

- Probe for:
- importance of exports
 - trade relations
 - trading blocs
 - globalization of the world economy
 - economic interdependence

In your view, is there a link between our competitiveness and our prosperity?

How does international trade affect us in our daily lives?

Probe for: - exports and jobs
- imports and standard of living

What does Canada export?

What are our strengths? Are there certain areas we should be concentrating on? What are they?

Does Canada itself have a large enough market for the goods and services we produce here to concentrate on our own market? Do you agree that we can better protect jobs by relying on internal markets or should we open ourselves up to international competition?

Probe for: - globalization
- economic interdependence

3. NORTH AMERICAN FREE TRADE AGREEMENT

When you think about the term "free trade" what does it mean to you?

What are the advantages and disadvantages of a free trade relationship?

What do you think about the existing Free Trade Agreement between Canada and the United States?

Is it a good or a bad thing? Why?

Are there short-term and long-term differences in terms of advantages and disadvantages of free trade?

Probe for: - short-term adjustment difficulties (what are they?)
- long-term benefits (what are they?)

Thinking of the long-term advantages of the Canada-U.S. Free Trade Agreement, how long is "long-term." Should we be feeling the advantages now or will we feel them in the future? If in the future, when might that be?

Have you heard anything about discussions on a free trade agreement between Canada, the United States and Mexico? What have you heard?

And would you say that you are supportive or opposed to a free trade agreement between the three countries?

What are the benefits of a free trade agreement between the three countries? What are the disadvantages?

Probe for:

- new export opportunities for Canadian goods and services
- new trade opportunities
- investment opportunities in Canada

If wages are raised as an issue (advantage or disadvantage), probe on:

- how do other industrialized countries compete on wages?
- are their wages lower?
- do you think German workers, for example, work longer hours, have lower wages or shorter vacations?
- if you were told that Germany's workers worked less hours per week on average, had longer vacations and competitive wages, how would you respond? How do the Germans remain competitive?

Also probe for:

- effect on jobs
- environmental concerns
- skills base
- use of technology

Test statement:

"If cheap labour was the sole determinant of plant location, then why is that 87 per cent of the goods Canada imports come from the U.S., Europe and Japan, rather than low-wage countries?"

Do you agree with this statement? Why?

As you might know, Mexico and the United States began talks about free trade between the two countries before Canada was involved. Do you think it is important that Canada be a part of a free trade agreement between the three countries or should Canada just let Mexico and the U.S. work out their own deal and leave Canada out? Why?

What sorts of goods, services or expertise could Canada sell to Mexico?

What kinds of Canadian businesses or business people would succeed in the Mexican market?

And what do you think Mexico could sell to Canada?

In your opinion, which of the three countries would benefit most from a free trade agreement including Canada, the United States and Mexico?

Do you believe that a free trade agreement including Mexico, Canada and the United States would help Canada become more competitive?

And do you think that a free trade agreement between the three countries would have a major or minor impact on our economy in the future? Would it be positive or negative? Why? What sectors would be most affected?

Test statement:

"Those who oppose a free trade deal hide behind protectionist walls and deny the reality of the new international marketplace, condemning Canada to an economic backwater."

Do you agree with this statement? Why?

What should Canada be trying to achieve in negotiations for a Canada, U.S., Mexico free trade agreement?

How would you know if Canada's negotiating team was doing a good job negotiating this agreement? What would a newspaper headline say that indicated to you that Canada's negotiators were doing a good job?

During the negotiations on this free trade agreement, should everything be on the table? Why? Why not?

If not, are there products, services or sectors that should be excluded from the agreement? What are they?

Do you think that a North American Free Trade Agreement might lead to more trade with Central America and South America?

Do you think a North American FTA would help improve relations between Canada and the countries of Latin America? (probe: counterweight to U.S.)

I'd like to show you one more statement...

Test statement:

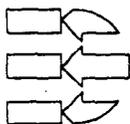
"What has the third world said ever since 1970? They have said: "Trade -- not aid." Do not send us gifts, goodies and tell us how to run our economy: trade with us."

Do you agree or disagree with that statement? How could trade help Canada? How could it help the countries of the Third World, particularly those in South and Central America?

What kind of trade relations do you think we should have with countries of the Third World? Should we be trading more or less with the Third World? Why? Does increased trade with Third World countries help these countries in any way?

To wrap up, if you had one piece of advice for the Minister of International Trade on negotiating a North American Free Trade Agreement, what would that piece of advice be?

C. Recruitment Questionnaire



A Decima Research Focus Group Report to
External Affairs and International Trade Canada

FTA Script

Focus Group Project: #3613 Today's Date: _____

Date of Group: Wednesday August 28, 1991

Time of Group: _____

Name of Respondent: _____

Telephone #: _____

Hello, my name is _____, of Summerhill Research Centre, a national opinion research firm. We are recruiting today to form a discussion group looking at CURRENT ISSUES and thought you might be interested in attending. The discussion will take approximately 2 hours and participants will receive \$40 for their time. Refreshments will be served as well.

(IF RESPONDENT IS INTERESTED, SAY:) I have a few questions to ask you to see if you qualify for this group:

- 1. What is your age?
 - 18+ (Continue)..... A
 - Under 18 (Thank and terminate) B
 - (Quotas: 18-39 yrs.=50%
 - 40 + yrs.=50%)

- 2. Are you a Canadian resident?
 - Yes (Continue)..... A
 - No (Thank and terminate) .. B

- 3. Gender (By observation)
 - Male 1
 - Female 2
 - (Watch quotas)

- 4. Have you ever attended an interview or survey which was arranged in advance and for which you received a small sum of money?
 - Yes (Continue)..... 1
 - No (Go to Question 7). 2

- 5. When did you last attend one of these surveys?
 - LESS THAN SIX MONTHS AGO (THANK AND TERMINATE).. 1
 - OVER SIX MONTHS AGO (CONTINUE) 2

- 6. Have you attended more than five discussion groups in your lifetime?
 - Yes (Thank and terminate) 1
 - *(If attendance was over 5 years ago, continue)
 - No (Continue) 2

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