



Minister for
International Trade

Ministre du
Commerce extérieur

STATEMENT DISCOURS

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Speaking notes for John McDermid,
Parliamentary Secretary to
the Honourable Pat Carney,
Minister for International Trade,
to a Congressional Symposium on
the U.S.-Canada Trade Agreement

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Canada

Good afternoon, ladies and gentlemen. It is a real pleasure for me to participate in this kind of open discussion of what is clearly one of the most significant economic initiatives ever undertaken by our two countries. I want to commend Representative LaFalce and Senator Evans for making this event possible.

The negotiations that led to the U.S.-Canada Trade Agreement were long and tough. The issues before us were complex and challenging. But those challenges have been met. The hard work and dedication of both negotiating teams have paid off. And so, what we have before us is an agreement that will further develop the world's largest trading relationship for the benefit of both our nations.

The stimulus that a trade agreement of this scale will provide to both our economies will be real and substantial. For Canada, it will mean access to the world's largest single market. For the United States, it will mean securing access to the eighth largest industrial economy in the world, with a market roughly the size of California's.

As you are aware, Canada is already America's best customer. Last year, Canadians bought over \$55 billion worth of U.S. goods and services. More than did Japan, West Germany, France or Great Britain.

Canada is also your fastest growing market. From 1980 to 1986, U.S. exports to Canada increased by almost \$15 billion -- or well over 40 per cent. During the same period, U.S. exports to the rest of the world declined by \$13.5 billion.

This is the kind of productive trade relationship that we can now develop and enhance further to our mutual benefit with the completion of the U.S.-Canada Trade Agreement.

As Prime Minister Mulroney and President Reagan made clear at the outset of the free trade initiative, this Agreement "will revitalize the unique Canada-U.S. economic relationship through the creation of greater predictability and confidence for Canadians and Americans alike".

Today I want to talk about the kind of positive impact this Agreement will have on our bilateral trade as well as to mention the major contribution it will make to international trade as a whole.

Let me begin by outlining very briefly the main accomplishments of the deal.

In the U.S.-Canada Trade Agreement, we have resolved to:

- phase out all tariffs between us over 10 years;
- significantly liberalize trade in energy and agriculture;
- reaffirm our commitment to the Auto Pact and further strengthen the auto industries on both sides of the border;
- establish, for the first time in history, a set of rules governing trade in services;
- expand opportunities to compete for government business in each other's country;
- provide secure and non-discriminatory treatment for each other's investors; and
- establish a binding, binational way of settling trade disputes.

These are the central points of the Agreement over-all. Each point represents a positive step forward for both countries. There is not a single point that could be cast as a win for one side and a loss for the other. In this deal, everyone wins.

For an example, let's look at the issue of tariff elimination. Although much of U.S.-Canada trade is already duty-free, there remain significant tariff barriers that impede our bilateral commerce.

This Agreement will not only liberalize the remaining trade that is currently impeded by tariff barriers, but it will also open up an array of new trade opportunities not currently available to exporters on both sides of the border.

Trade naturally tends to pass through tariff valleys. The restrictive effect of the existing tariffs will only be fully realized once all tariffs have been removed and all trade flows freely across the border.

Canadian tariffs are generally higher than American tariffs. The Agreement will phase them all out over 10 years. What will this mean to American manufacturers? Lower costs for many inputs they require. And an increase in the size of their market by 10 percent.

For Canadian producers, it will mean increased domestic processing and manufacturing. For manufacturers on both sides of the border, it will mean an incentive to rationalize, modernize and become more competitive in the North American as well as the international marketplace.

On the issue of trade in energy, the Agreement creates a win/win situation as well. Virtually all barriers to energy trade will be removed, providing a stable framework for further development of our energy relationship that will strengthen the energy security of both our countries.

For Canada's energy-producing provinces, it will provide more secure access to the U.S. For Americans, it will mean continued, secure access to Canadian energy resources. Lower energy costs will enable both countries' industries to compete more effectively with producers in Europe and the Far East.

What about agriculture? No one would deny that we are experiencing a world-wide crisis in agricultural trade which only a concerted and co-ordinated effort will overcome. While there is a general consensus in the international community that something must be done, more has been said than done.

As Dwight D. Eisenhower once said, "Farming looks mighty easy when your plow is a pencil and you're a 1000 miles from the cornfield".

On this issue, the U.S. and Canada have made headway. Our Trade Agreement makes progress in this area -- progress we hope will set the pace for further progress in the multilateral talks under the General Agreement on Tariffs and Trade (GATT) under way in Geneva.

The Agreement sets out a package of trade-liberalizing measures, many of them product-specific. For example, we will exempt each other from restrictions under our respective meat import laws, ensuring free trade in beef and veal.

The other very significant accomplishment of the deal in this area is that it will prohibit export subsidies in our bilateral trade in agriculture. This marks the first time that any governments have agreed to prohibitions on export subsidies in the agricultural sector.

I would like to give you one last example of how both sides will gain from this Agreement -- and this is in the area of automotive trade. Under the Agreement, the Auto Pact remains in place. The two key points here are as follows:

- ° first, the Agreement limits the provisions of the Auto Pact to current participants; and
- ° second, the Agreement sets out a new 50 per cent North American rule of origin.

These will encourage foreign producers to increase their purchases of Canadian and American auto parts and materials. This will lead to increased employment in the industry on both sides of the border. It will also enable the North American automotive industry to remain competitive in the face of ever-increasing competition from third country producers.

Canadians believe that it is time to build bridges, not barriers, to the economic growth and prosperity that comes with increased trade. The U.S.-Canada Trade Agreement is just such a bridge. This Agreement provides us with a forward-looking bilateral trade arrangement that will lead us into the 21st century on a new path of innovation and prosperity.

Certainly, this initiative has very far-reaching and positive implications for both of us. At the same time, as I mentioned earlier, this Agreement makes three important contributions to international trade.

First, it represents a sizeable expansion of trade between the world's two largest trading partners. The Agreement is simply unprecedented in terms of volume of trade affected as well as the scope of commercial relations covered.

Second, the U.S.-Canada Trade Agreement sets our trading relationship on a more secure and productive path, taking us from a patchwork of ad hoc arrangements to a comprehensive set of bilateral trade rules, based on equality and friendship.

Third, it will serve both our countries well in our efforts to liberalize trade with our other partners in the ongoing round of trade talks in Geneva under the GATT. One of the advantages of having successfully dealt with issues, such as trade in services and trade-related investment, in the U.S.-Canada Trade Agreement is that it sets out a means of settling these critical issues in a multilateral context.

To the 93 other countries involved in the GATT negotiations, the United States and Canada can now show proof that trading partners can find solutions to even the most complex problems when there is a strong political will to find those solutions.

When President Reagan came to Ottawa last April, he spoke of this trade initiative in terms of combining and drawing upon the collective energy of our two economies, saying that "the greatest days of Canada and the United States are still ahead".

Looking ahead, I want to conclude by saying that it is important to note that the U.S.-Canada Trade Agreement contains several measures to ensure further evolution of our trade relations.

Such measures include the establishment of a Blue-Ribbon Panel to make recommendations on a mutually beneficial automotive policy for the 1990s and beyond. To address problems of dumping and subsidization, we will work together to create a new regime that would come into effect no later than at the end of the seventh year.

And, we have agreed to hold ongoing discussions on ways to make federal standards more compatible at the state, provincial and private levels.

This Trade Agreement will help us to showcase our talent and our potential. With such an agreement in place, our two countries will proceed with confidence and innovation.

Trade has been an architect of both our countries and trade will play a major role in determining our economic future. We have now designed together the framework for a more progressive and unimpeded course for our trade today and into the 21st century.

Thank you.