



Minister for
International Trade

Ministre du
Commerce extérieur

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Notes for an address by
the Honourable Pat Carney,
Minister for International Trade,
to the students of
Sir Wilfrid Laurier University,
WATERLOO, ONTARIO
and
Western University,
LONDON, ONTARIO
November 3, 1987.

Canada

I am very happy to be here today because this is the kind of opportunity that I welcome....An opportunity to speak to a group of Canadians who represent the future of this country.

Our government has been doing a lot of talking about the future recently. Canada's future. The future of all of us...and the kind of future we are trying to build for people like yourselves who will soon be entering the work force.

We have been trying to ensure that future will include the kind of opportunities that mean employment, prosperity and security.

That really is what free trade is all about.

That is why we sought and achieved a free trade agreement with the United States.

Canada is an exporting country.

Two million of us are directly dependent on our export trade for our jobs.

And no less than 78 per cent of all that export trade is with the United States.

That's why we set out -- not just to protect that market -- but to open it still further.

Nothing could be more important to the future of this country.

If U.S. legislators and Parliament approve the agreement it will go into effect on January 1, 1989.

In a nutshell, here's what Canada and the U.S. negotiators have agreed to:

- Phase out all tariffs between us within 10 years.
- Set innovative rules for trade in services.
- Provide secure access for each country's investors.
- Expand opportunities to compete for government purchases in each other's countries.
- Strengthen automotive industries on both sides of the border -- not only by reaffirming our commitment to the auto pact -- but also by expanding its application; and

- Establish dispute settlement mechanisms that include binding binational resolution of any disputes arising between the parties out of the agreement and concerning countervailing duties, anti-dumping and import safeguards.

I'd like to talk briefly about what that will mean to Ontario before dealing with the specifics of the agreement.

No part of Canada has more to gain.

Ontario's economy has been built on its trade with the United States, and more than 90 per cent of its exports go to the U.S.

Two-thirds of those exports are in the automotive sector, and the auto trade agreement can only enhance that trade.

Ontario farmers, (whose output is the largest of all the provinces) will benefit from more secure access to the American market. The interests of the dairy, poultry, fresh fruit and vegetable producers are safeguarded.

Canada's services industries, most of which are based in Ontario, will have easier access to the U.S. market.

Ontario's exports of electricity will be more secure and new opportunities have been provided for the financial services industry.

What does it all mean to the average Canadian?

Well, for one thing, every economic study we've seen says it means jobs and business opportunities for Canadians.

Every Canadian is naturally going to wonder what the effects will be on his or her everyday life. I'd like to say we have all the answers -- we don't -- but part of that may be because we haven't yet heard all the questions.

Many Canadians are still unsure of what free trade means.

A woman in Windsor recently said she was against free trade because all the Americans from Detroit would swamp the city.

Obviously there was a little confusion there between free trade and free immigration.

Another Canadian asked if free trade meant you could bring anything you wanted back from the U.S. without paying duty.

The answer was yes -- but you won't have to go to the U.S. for American goods. They will be available in Canada, and Canadian goods will be available in the United States. That's what free trade is all about.

There will, indeed be benefits for the Canadian consumer.

Andrew Cohen, the Executive Director of the Consumers Association of Canada, says there's something in free trade for all consumers.

According to Cohen: "It's not fair to say it will only benefit big business. Consumers will also benefit from more competition once the barriers to the U.S. market have been eliminated."

William Neal of the Canadian Manufacturers' Association agrees and points out that clothing and food are where the tariffs are highest. "So when they come down there will be more trade and lower prices."

We had said all along that if we couldn't make a good deal -- there would be no deal. We think we've made a good one.

The Vice President of the Ford Motor Co. of Canada, David Rehor, puts it a lot stronger. He says Canada has: "Won, won, won."

Coming from such a source, that statement makes it seem somewhat surprising that the critics of free trade we've been hearing from recently have zeroed in on the auto industry.

It's particularly surprising because the auto pact -- which has helped Ontario prosper -- remains in place, and so do the safeguards.

That was what the Canadian auto workers wanted; what the auto parts industry wanted; and what Ontario wanted.

Manufacturers covered by the pact must still assemble as many cars in Canada as they sell, and there is a percentage formula to ensure the Canadian content of those vehicles.

The penalties for failure to comply with those rules are still in place.

The "muscle" in the safeguards is that the companies would lose the right to import duty-free the models that are built outside of Canada -- which represent a significant portion of their product line. That's a powerful incentive.

If I may refer to Ford's Mr. Rehor again he put it this way:

"You'll have the same safeguards you've had for the past decade. These plants could have closed and relocated in the United States under those terms but they haven't. The reason the plants have stayed open in Ontario is that they're more competitive."

"They're able to cut the mustard quality-wise and they're cost-effective."

So the auto pact is still there. Only now we're calling it auto pact plus.

Automotive products like replacement parts and tires that are not now covered by the pact will trade duty-free. That means a great deal to our automotive parts industry.

So does the requirement that cars and trucks built by Japanese and Korean automakers must have a 50 per cent North American content to gain duty-free treatment.

Canadians build many of those parts and are competitive -- and the new rules mean they'll also be able to supply those offshore automakers at their plants in the United States as well as Canada.

Small wonder then that the President of the Automotive Industries Association of Canada, Dean Wilson, says a consensus of his membership favours free trade.

The auto pact has not been hurt by the agreement our negotiators have reached. It's been enhanced to the benefit of Canadians.

I'd like to turn to another area of our trade with the United States that's often overlooked when people think about exports.

That's the services area -- and I'm talking about Canada's world-class skills in such fields as consulting, engineering, computer services, telecommunications, transportation, banking and life insurance.

The new rules mean that there will be no discriminatory restrictions against Canadian firms competing in the U.S. market in those areas.

That includes going into the U.S. for business purposes.

The manager of one Canadian firm said: "We'd try to send a man down there to do repairs on our equipment and we had problems at the border. They hassled our people: they delayed entry: they even confiscated tools. I think free trade would be a good thing."

Right now, says the Vice President of the Canadian Institute of Chartered Accountants, "If a C.A. is asked to go to New York for a client, he is asked why -- whether his purpose is professionally motivated and if he's going to displace an American.....It's an irritation that we'll be happy to see removed."

That's important to a lot more Canadians than most people think...because 75 per cent of our jobs are in the service sector.

We've broken new ground in setting up a framework of rules for trade in services. It's unprecedented in the history of trade relations, and we feel that it can serve as an example to the rest of the world.

There's another area not many people think about.

Many of us were brought up with the notion that if you talked about foreign investment, you were talking about investments by others in our country.

Today's generation of Canadians understands that foreign investment can mean investment by Canadian firms in foreign markets.

Canada's economy has matured to the point that we have become exporters of capital -- like the Japanese, the Germans, the French and the Americans.

The agreement allows us to protect the interests of Canadian investors in the United States -- but we have kept the right to review significant non-Canadian investment in Canada.

The agreement also opens up another area of U.S. business to Canadian firms.

Canadian firms looking to sell to the US government will now be able to compete against American firms for an additional \$4 billion worth of business.

That figure of \$4 billion is significant to another area. That's also the amount of goods that our agricultural producers sell in the United States every year.

We've had some problems in that area in the last few years -- and some of them are such that Canada and the U.S. cannot solve them entirely between ourselves because they're global in scope.

We've agreed to work together through the GATT nations -- those which subscribe to the General Agreement on Tariffs and Trade -- to try and solve them.

But in the meantime, Canada's farmers will make real gains from the agreement.

By the end of the next decade agricultural and food products such as meat and livestock, grains and oilseeds and potatoes will be able to compete on an equal footing in the American market without tariffs and barriers at the border.

But the agreement leaves our agricultural marketing systems including the supply management systems for dairy, poultry and egg industries in place, and allows us to set up any future marketing boards we may wish.

We'll also be able to sell our processed food products in the US more easily.

Fishermen on both coasts within five years will have tariff free access to the U.S. market for virtually all fish products;

And the two governments have agreed to reduce barriers for trade in wine and distilled spirits. You'll be able to buy California wines at competitive prices.

For clarification, I should add a note here that the brewing industry is not covered in the agreement.

Spokesmen for the agricultural industry have been saying some positive things. Paul Sim, who is the Senior Policy Analyst for the Canadian Wheat Growers summed it up like this:

Said Mr. Sim: "It removes the big club that is being held over our heads as far as U.S. protectionism is concerned; it provides greater access of Canadian hogs and cattle to the U.S. market, and as such should guarantee continued viability of western Canada's livestock industry."

"And since the industry is western Canada's largest customer for grain, that will help maintain feed grain markets for western Canada."

That proves a point many people overlook. Which is that what benefits one group in our economy usually has the effect of spreading the benefits to quite a few more...all based on easier access to export markets.

All the sectors touched by the agreement are important; and not the least of these is energy.

What that means to our economy was probably best summed up by Hans Maciej, the Vice President of the Canadian Petroleum Association, speaking to a reporter from the Calgary Herald.

He said: "Let me just remind those critics who suggest that we have sold our soul to the devil by including energy in the free trade agreement that without our energy trade Canada would have suffered a trade deficit of \$3 billion in the first six months of 1987."

Actually, in 1985 Canada exported close to \$15 billion in energy products when you include oil, gas, electricity and uranium. That trade provides a livelihood for many thousands of Canadians.

Some of those exports were threatened by US restrictions.

The agreement secures our markets; and the Americans secure their supply.

The provinces own the resources and continue to manage and regulate them, and the Canadian ownership regulations still apply.

The agreement also enshrines this government's energy policy which deregulated the industry and allowed the energy producers to sell at world prices. That's important to those energy-producing provinces, who do not see why they should sell below market price when other provinces -- like Ontario -- command market price for the items which they produce.

We recognize that we share the North American continent, and that our relationship with the United States is unique between two countries. But, like partners in anything, there will occasionally be disagreements.

We've been having them for years.

In recent years we've had them about softwood lumber, shakes and shingles and pork just to name a few, and there have been quite a few more than that.

Whenever an American interest group could mount a strong enough lobby in Washington, up went a tariff wall against Canadian producers who were offering the American marketplace a more competitive product.

We never really had an arbiter for these disputes -- short of appealing to the Americans themselves -- or the GATT ... which doesn't move very quickly.

Now we will.

We have set up in this agreement a binational body that will deliver an impartial and binding decision when one side feels it is being unfairly treated.

One of the things that the critics of this trade agreement imply is that somehow we've become a little less Canadian ... that we've somehow given up some of our own identify in making this agreement.

Nothing could be further from the truth.

Our culture was never on the table. The things that make us different from our neighbors and which are reflected in our publishing, our films and video and audio, our music and broadcasting are all exempt from the agreement.

That applies to production, distribution, sales and all activities in those industries.

None of our social programs or regional development programs are affected by this agreement.

There were probably people saying some of the same things when the European common market was formed.

There's no disputing what an economic success that has been; or that the residents of those countries have benefitted from the common market arrangement.

But the British have remained British; the French are still French; Belgians are Belgians; and the Germans are still German.

Their identities and culture have been preserved and always will be.

Just as we will always be Canadians.

Thank you.