

Statement

Discours

Minister for
International
Trade



Ministre du
Commerce
extérieur

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NOTES FOR AN ADDRESS BY THE

MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE

TO THE CONFEDERATION CLUB

KITCHENER

November 3, 1988.

Ladies and Gentlemen,

The debate on Free Trade has raised strong emotions. Things may be said in the heat of the moment that exaggerate or innocently mis-state. I am afraid that I cannot credit either of these excuses to what Mr. Turner and Mr. Broadbent said in the television debates. They had prepared their lines and they have repeated their statements since. What they said was deliberate and it was wrong.

I want to speak to you today about the most outrageous thing that they said...that senior citizens will have to fear for their Old Age Pensions because of Free Trade...that those who are sick will have to fear for their medical care because of Free Trade...that those who are unemployed will have to fear for the benefits they have earned because of Free Trade. In fact, that all Canadians will have to fear that our whole system of social programs will be swept away because of Free Trade.

Mr. Turner said,

"[The Liberals] will never sign a deal which surrenders our control and our ability to manage ...our social programs...Mr. Mulroney's trade deal does just that."

And, Mr. Broadbent said,

"[The Free Trade Agreement] threatens our families ...our medicare and pensions."

The Prime Minister challenged Mr. Broadbent to point to the specific provision of the Agreement that affects social programs. Mr. Broadbent could not. The reason is simple.

Social programs are not covered by the Free Trade Agreement. The only services covered by the Agreement are those listed in Annex 1408. Government-provided services are not listed. They are outside the Agreement. That's only sensible. The Agreement is about the rules of international trade, not domestic social policy.

Mr. Broadbent said,

"[Mr. Mulroney] has agreed to let the americans have a say in the future of our social programs, such as unemployment insurance and medicare..."

Mr. Turner said,

"[The Free Trade Agreement] sets up a subsidy negotiation that will wipe out our social programs..."

The negotiations that both men spoke about are provided for under Article 1907 of the Agreement. That Article reads (in part):

"The Parties shall establish a working group that shall seek to develop more effective rules and disciplines concerning the use of government subsidies."

What are the "subsidies" that Canada and the U.S. refer to in this Article? Do they include social programs? No, they do not.

To understand what "subsidies" means in this context, you have first to look at the GATT, at Article XI of the GATT Code on subsidies.

It reads (in part):

"[GATT members] recognize that subsidies... are widely used as important instruments for the promotion of social and economic policy objectives and do not intend to restrict the right of [GATT members] to achieve these and other important policy objectives which they consider desirable."

What does this mean in practice? The Economic Council of Canada explains it this way, that under GATT rules,

"trade remedy laws [like countervail] cannot legitimately be invoked against social policies that are designed solely to...re-distribute income...among citizens."

That's what social programs do, re-distribute income among citizens, from everyone who pays taxes to those who need social services.

Have the Americans adhered to those rules? Yes, they have. In the one countervail case where a U.S. producer claimed that a Canadian social program...Unemployment Insurance to fishermen...was an unfair subsidy, the U.S. government said no, it was not.

That case was in 1985. Are the Americans saying something different today? No, they are not. July Bello, legal advisor to Clayton Yeutter, my counterpart in the U.S., repeated the basis for the 1985 ruling to a Canadian Press reporter in Washington yesterday. And Clayton Yeutter said earlier this year,

"[The question of subsidies and social programs] has never arisen in our conversation here, never, and I don't see it happening in the future...What we will have to do on subsidies must fit within the parameters of what people will agree to on an international basis."

And so, we end up where we began in this explanation, the rules under GATT.

How simple and easy it was for Mr. Turner and Mr. Broadbent to make their baseless charges, to frighten the old and the sick and the unemployed. How much more complex and difficult is it to explain why those charges are baseless, that their accusations are simply false. You could say that is politics, but it is the politics of fear. It is politics practiced in a way that is low and mean and unworthy.

Let me add on more point here. Simon Reisman received clear instructions from the Government in the Free Trade negotiations. No bargaining on social programs. They are not to be touched. They were not. And, I pledge once more here today, they will not be touched by any future negotiations on subsidies. That was, is and will continue to be the steadfast policy of this government.

Mr. Broadbent said,

"[Business people] have said...we have to compete with the U.S., so we have to lower our pension plans, we have to lower our medicare, we have to harmonize to the lowest common denominator, which is the U.S."

Mr. Broadbent was un-repentant when he was confronted by the fact that the quote he used to support his assertion was eight years old and the person who said it now says that he no longer holds those views.

But, Mr. Broadbent made the point he wanted: Canadians must fear that more open competition under Free Trade will drag us down to the level of some reactionary backwater in the United States. Yet, where is the proof of this? All the evidence is to the contrary.

For more than 50 years Canada has been reducing trade barriers and creating more open competition with the United States. Have we been driven backwards in our health care, in pensions for the elderly, in our assistance to the unemployed? No, we have not.

As trade barriers have come down...an 80% reduction in tariffs since World War II...trade with the U.S. has burgeoned, our economy has grown immensely and Canadians have had the wealth that is necessary to create and sustain an impressive range of social programs.

Wealth is one ingredient...and Canadians will have more of it under Free Trade...but national will is the other vital ingredient to build and maintain social programs. Canadians have decided they want a fairer, more caring society and they have decided that social programs are critical to achieving that. That vital ingredient is so deeply and so broadly held in our society that nothing will shake it...least of all a Free Trade Agreement that has nothing to do with Canada's social programs.

I want to put an end to the false charge that social programs are threatened by Free Trade. I want to debate the issues honestly and vigorously. I want Canadians to decide not based on lurking fears, but on a clear understanding of the facts. That is how great national issues deserve to be decided.

I want to speak to you about one more topic today. That is, the important advantages that Canadians will lose if Mr. Turner and Mr. Broadbent have their way and the Free Trade Agreement is torn up.

First, Canadians will lose the protections achieved in the agreement against the misuse of existing U.S. trade laws, like that on countervail. I referred to the 1985 decision that upheld the recognized application of the principles in the GATT Code on Subsidies. What if next year, a politically-motivated U.S. decision reverses that? If there is no Free Trade Agreement, we can take the matter to the U.S. courts and get a decision maybe 3 or 4 years later. All that time Canadian businesses and their employees would be hurt. We could take the matter to GATT...we can do that under the Free Trade Agreement, as well...but that, too, can run into years and the U.S. can block a GATT decision. With the Free Trade Agreement we can get a speedy, impartial and clearly binding decision. We can more effectively shield Canadians from American protectionism. But we throw away that shield if the Free Trade Agreement is torn up.

Second, under Article 1902.2 of the Agreement, any change to U.S. trade law will apply only to Canada if the U.S. singles out Canada for this purpose. That may seem like a small thing. It is not. If the U.S. goes head to head in a series of bitter trade disputes with, for example, Japan or the European Community because of their protectionist measures, without this provision Canada could be badly mauled as an innocent bystander.

Some of you may recall what happened in August of 1971, when overnight President Nixon slapped a 10% surcharge on all imports to the United States. We weren't the target, but we got hit anyway. That's what this provision is intended to prevent.

Third, any new U.S. trade law that specifically applies to Canada can be challenged before it is approved and referred to a joint Canada-U.S. panel to determine whether it is consistent with the Free Trade Agreement and with the GATT. This is important because, while now we can take the case to GATT...as we will still be able to under the Free Trade Agreement...that is done after the law takes effect and the damage from the law is already being suffered by Canadian businesses and their employees. We would be throwing away this important protection if the Free Trade Agreement is torn up.

Finally...and I have chosen only a handful of the important benefits of the Free Trade Agreement ...Canada would lose the benefits of eliminating all tariffs on our exports to the U.S. The Opposition says this is no big deal as only 20% of our exports still face U.S. tariffs. The critical point is that those remaining tariffs are primarily on manufactured and processed goods. That tariff structure makes it cheap to export raw materials and expensive to export many finished or processed products made from those raw materials. Eliminating remaining tariffs gets rid of this dis-incentive to do more with our resources in Canada.

Jim McCambly, President of the Canadian Federation of Labour put it simply,

"More pre-export processing means more jobs."

In addition to these shields against U.S. protectionism, in addition to the opportunities for employment and growth that we will lose if the Free Trade Agreement is torn up, we will also lose our standing as a leader among the nations of the GATT.

What are the prospects for more open multilateral trade if we tear up this Agreement that has been hailed by our major trading partners as a model for advances under the current round of GATT negotiations? What will happen to our push to open up new global markets by overcoming European and Asian trade restrictions in the 96 member GATT if Canada and the U.S. can't even agree between themselves on more open trade?

Canada is hosting an important conference of all GATT members in Montreal in December. The success of that meeting is critical to the success of the whole current round of negotiations under GATT. But, as the noted economist Dian Cohen recently said,

"If we [tear up] the Free Trade Agreement and confirm tariff and non-tariff barriers to commerce in North America why shouldn't [GATT members] just cash in their airline tickets and stay home."

Yet Mr. Turner and Mr. Broadbent want to tear up the Free Trade Agreement and to make the GATT negotiations succeed. But then, that too is easy to say and the reasons why it doesn't make sense are more difficult to explain.

Explaining the facts to Canadians is what my colleagues and I will continue to do. We want Canadians to understand what they are being asked to decide.

We believe this Agreement is strongly in our country's interest, that to choose the path of Free Trade is to choose the path of a greater security and prosperity, that to choose to tear up the Free Trade Agreement is to choose the path of greater insecurity and of lost opportunity for our future.

We believe that at the end of the day Canadians are thoughtful and fair-minded enough to listen to the facts and not be swayed by false, emotional charges made by Mr. Turner and Mr. Broadbent.