
STATEMENT

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NOTES FOR AN ADDRESS BY
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TO THE
GLOBAL VISION PROGRAM
AT HURON COLLEGE
UNIVERSITY OF WESTERN ONTARIO

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I am delighted to have this opportunity so early in my new portfolio to meet with this dynamic organization of young Canadians from all 10 provinces and both territories. As a former school teacher and university professor, I am always delighted to meet and have a dialogue with our country's new generation, and I look forward to hearing from you as to what's on your mind.

As a Londoner by birth, I am especially pleased to welcome our French-speaking compatriots. I hope that you will have a pleasant stay with us.

I have been asked to talk to you today about the importance of trade to Canada's prosperity and our government's policies in the trade area.

This is an exciting and challenging time for Canada and indeed for all of our global trading partners. We have a full agenda: the passage of the North American Free Trade Agreement (NAFTA), the management of our relationship with the United States through the Canada-U.S. Free Trade Agreement (FTA), and the restart of talks in Geneva on the Uruguay Round of multilateral trade negotiations.

Trade has always been the life blood of the Canadian economy. It had to be. Canada ranks 31st in the world in population, but it has the 9th highest per capita gross national product.

How did a population of only 27 million do so much? We did it by trading with the world. We did it significantly in recent years by opening our economy to greater competition and encouraging Canadian-based firms to adopt global business strategies. We did it by continuing to keep international trade at the forefront of our economic policy agenda. Today, trade accounts for one quarter of our national income. Every \$1 billion in new exports creates, on average, more than 12 000 jobs.

Canada has played an active role in breaking down barriers to markets. We were one of the founding nations of the General Agreement on Tariffs and Trade (GATT) in 1947. Since then, the GATT has helped to bring about a steep fall in tariffs -- from an average of about 40 percent to around 5 percent today. In the same period, the value of world merchandise trade soared from about \$57 billion to over \$3.5 trillion a year.

That is why it is so exciting -- after nearly seven years of start-and-stop negotiating -- to finally see a light at the end of the tunnel. As a member of the Canadian delegation to Punta del Este, Uruguay, in 1986 when these talks began, I'm delighted to have the opportunity to carry them through to a successful conclusion before the end of the year.

Last week at the G-7 Summit in Tokyo, I and my fellow trade ministers from the United States, the EC [European Community] and

Japan submitted a report on proposed market-opening measures to the G-7 leaders. This report is a key stepping-stone to re-engaging the Uruguay Round talks in Geneva and the basis on which to build an even bigger deal.

We agreed to eliminate tariff and non-tariff barriers on a range of sectors, including pharmaceuticals, construction equipment, medical equipment, steel, beer and -- subject to certain exceptions -- furniture, farm equipment and spirits.

For chemical products, we agreed to harmonize tariffs at low rates, and at zero in some instances.

For products where tariffs are now high -- that is, above 15 percent -- we agreed to cut them in half. For all other products, we agreed to reduce them by one third.

Although agriculture was not the main focus of these negotiations, it has been agreed that access for agricultural products is an essential component of a global and balanced Uruguay Round deal.

In addition, progress was made on liberalizing trade in services, in particular financial services, which are of special importance to Canada and, of course, this city.

This agreement sends a strong signal that the Round can be completed by the end of the year. The report does not of course constitute the final Uruguay Round agreement on market access. Much work still needs to be done in Geneva. Canada will be pressing for maximum barrier reductions in a range of sectors of interest, such as paper, wood and non-ferrous metals.

The importance of solid export performance to Canada is not just a theoretical goal. Growing export markets mean jobs and prosperity for Canadians.

That is why we are trying to expand on our success as a trading nation to secure a niche in value-added, high technology industries, such as telecommunications and information technology. I applaud, in particular, the success of some of our business people in the London area who have the confidence and the vision to steer their companies into global markets.

Die-X Ltd. of London is just such a company. The company makes laser-cut steel rule dies and exports 40 percent of its production. Faced with increasing competition from American firms using innovative tool and die manufacturing technology, the company decided to invest in leading-edge technology. By upgrading its production facilities and bringing in extensive employee training programs, the company moved from a single plant

operation to one with facilities in both the United States and Canada.

3M Canada Inc., based here in London, has been a successful exporter for years and has always shown itself ready to capitalize on new opportunities. I'm told that in the last few years exports have grown to 20 percent of 3M Canada's total sales. More than 350 jobs are directly related to this growth. I applaud their efforts and the contribution that the company has made over the past 40 years with its plants in Ontario and in Manitoba.

Canada makes a special effort to recognize its achievers in export markets. In 1992, Canadian Export Awards were presented to 14 companies from coast to coast that have excelled in exporting their products and services around the globe. Among the winners was Dupont Canada Inc. At the time, Dupont President Arthur Sawchuk said that free trade motivated the company to think globally and allowed them to become more competitive. That, in a nutshell, is what free trade is all about. We must all look at free trade in the same light: as an opportunity, not as a threat.

The benefits of the Canada-U.S. Free Trade Agreement are emerging. The hard economic figures cannot be denied. The facts are indisputable. Canada's trade with the United States continues to grow. Our imports from the United States are up, and our exports to the United States are up even more.

Canada's merchandise exports to the world hit \$14.8 billion in April, up 16.7 percent from the previous year. That increase was largely accounted for by the rise in our sales to the United States. Exports to the United States rose by \$467 million in April to \$12 billion, a record level of exports to our largest trading partner.

Our year-to-date trade surplus with the United States is \$7.6 billion, a remarkable 58.9 percent above the comparable 1992 surplus.

These are the facts. In the fifth year of the Canada-U.S. Free Trade Agreement, our trade with the United States has never been so large and vigorous. The composition of our exports to the United States also tells an important story. As our trade increases, so does the proportion of our trade in higher value-added products.

The hysterical charges made by critics of the Free Trade Agreement about the plight of our manufacturing economy are demonstrably untrue.

Undoubtedly, some industries suffered during the course of the recent recession. Some industries found themselves under pressure from global market forces. However, Canadian manufacturers, far from being down for the count, are showing themselves to be resilient, competitive and increasingly successful.

Canadian manufactured products are capturing U.S. markets as they never have before. In the course of the last decade -- and half of that time under the Free Trade Agreement -- Canadian manufacturers' share of the U.S. market has risen by 20 percent.

Transportation equipment -- including autos -- chemical, electrical and electronic, and paper products are the sectors that have led this expansion. For example, Canada's exports to the United States of office, telecommunications and precision instruments were valued at \$9.3 billion in 1991, up a noteworthy 74 percent since 1989, the year the FTA went into effect.

These are not just dry figures. These figures represent that all-important feature of economic growth: jobs. Canada saw the first strong evidence of post-recession job growth in 1992. A net 118 000 jobs were created in the year, and that pace has quickened since.

In the first quarter of 1993, full-time employment grew by 69 000, resulting in total full-time job growth of 151 000 since September 1992. Job creation has continued to surge in May when 99 000 jobs were created in that month alone.

Canada's economic recovery is clearly under way, and the Free Trade Agreement, in providing considerably enhanced access to the U.S. market, is a significant contributor to that growth and new job creation.

Through the steady decrease -- and total elimination in five more years -- of the tariff barriers between us, Canadian producers are benefitting. So are consumers. Statistics Canada estimates that lower duties on imports from the United States resulted in savings to consumers of \$700 million in 1991 alone, and the savings continue to mount.

Tariff elimination has been so successful under the FTA that industries have asked three times for faster removal of duties and, following close consultations, the two governments agreed. I was pleased on July 1 to announce with my colleague, Finance Minister Gilles Loiselle, the third round of accelerated tariff reductions under the Free Trade Agreement.

In all three rounds, Canada and the United States have been able to remove, earlier than scheduled, duties on 950 products amounting to \$9 billion in annual two-way trade between our two

countries. This is a remarkable story of economic co-operation aimed at achieving mutual benefit between the world's two leading trading partners.

While I do not wish to minimize the seriousness of the trade disputes that we now have with the United States, the trade relationship is solid and is a key ingredient in Canada's economic growth and competitiveness. I am concerned, as are you, about recent U.S. actions against Canadian steel, for example, or the unwarranted decision of the U.S. administration to specifically target Canadian wheat markets in Mexico. These issues and other trade matters figured prominently during the recent G-7 Summit discussions between Prime Minister Campbell and President Clinton.

We should not lose sight of the fact that more than 90 percent of our trade with the United States is dispute-free, but if a dispute is unavoidable, the Free Trade Agreement provides Canada with a unique dispute-settlement mechanism that is unmatched in relations between any other two nations.

U.S. actions against Canada's exports get their fair share of headlines. Lost in the business pages are the binational panel rulings that settle the dispute to the benefit of Canadian producers. The system is fair, advantageous to Canada and reverses negative actions that would otherwise go untouched.

The Free Trade Agreement has clearly been a plus for Canada, and its benefits will only accumulate in the years to come. The North American Free Trade Agreement will build upon the success of the FTA and widen its scope to include Mexico.

Canada entered the NAFTA negotiations two years ago with three objectives. First, we wanted better access for Canadians goods and services in Mexico. Second, we wanted to strengthen the benefits of the Canada-U.S. Free Trade Agreement and improve our access to the U.S. market. Third, we wanted to ensure that Canada remained a prime location for investors wishing to serve the entire North American market.

The former Prime Minister signed the North American Free Trade Agreement last December because we achieved those objectives. Under the accord, Mexican tariffs and other trade barriers, such as licensing requirements -- which are much higher than Canada's -- will be eliminated. Canadian goods and services will, indeed, have improved access to Mexico's growing markets. This is of particular importance to the Canadian automotive sector, which stands to gain access to a market that was virtually closed to them before the NAFTA negotiations.

For Canadians, one of the most important improvements brought about by the NAFTA is that it is much easier to determine which

products get preferential access to the U.S. and Mexican markets. Backing this up are improved customs procedures, which will help Canadian exporters at both the U.S. and Mexican borders. Another benefit is the access Canadian companies have gained through the NAFTA to tens of billions of dollars of U.S. and Mexican government procurement -- sales that were completely closed to them before the NAFTA.

Secure, guaranteed access to the world's largest market plus the advantages of a highly skilled and educated work force make Canada a winner for investors. Canadian exporters will find themselves able to compete with American producers on a more equal footing as new opportunities unfold in markets across North America. That gives investors more reasons than ever to choose Canada.

The Parliament of Canada, recognizing the NAFTA's benefits to Canadians, has already approved the legislation to implement the Agreement. This was the step that now allows Canadian business people to go ahead and plan to take advantage of new opportunities in the United States and Mexico opened up by the NAFTA.

In the meantime, we are negotiating side agreements to improve co-operation in environmental and labour matters as a complement to the NAFTA, which already goes beyond any other trade agreement in dealing with these important areas. Canada welcomes the opportunity to offer better protection to workers and the environment. In fact, back in April 1992 during the NAFTA negotiations, Canada proposed the establishment of what is now being described as the North American Labour Commission. Of course, all three countries agreed last August to establish a North American Commission of the Environment. We are pleased that our partners now recognize the merits of our proposals.

Canada wants to strengthen and increase co-operation, not confrontation, among all three countries. That is why we cannot support the use of trade sanctions to enforce these agreements. We believe that sanctions create the kind of trade barriers that the NAFTA is designed to eliminate.

Next week, Canada will host another round of negotiations on the side agreements. The government has been taking labour and environmental leaders into our confidence in these negotiations, and we have been consulting with them closely every step of the way. I believe that strong and effective side agreements can be achieved, and we are working toward that goal.

Our trade policy since 1985 has pursued Canadian objectives along two tracks: regional trading arrangements through the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement, and multilateral trade agreements through the GATT.

Some critics have argued that our participation in the FTA and the NAFTA means that we are turning our back on the GATT and the multilateral trading system. If this were true, would my predecessor Michael Wilson have gone to so much trouble to get his counterparts to Toronto in May in an effort to find a way to restart the Uruguay Round talks? In fact, the best rebuttal of this charge was offered by the former GATT Director General Arthur Dunkel when he said that "multilateralism and regionalism can coexist; better, they actually reinforce one another."

Canada has not turned its back on the multilateral trading system. The successful conclusion to the Uruguay Round has always been and will remain Canada's top trade priority. However, negotiations among 3 countries will usually be easier to complete than those among 110.

While the report on market-opening measures that we gave to the G-7 leaders at the Tokyo Summit does not constitute the final Uruguay Round deal, it is a very large step in the right direction. As I have said in the past, nothing is decided until everything is decided. The detailed negotiations among all GATT members will begin now and must be completed this fall in Geneva.

A far-reaching and balanced deal on breaking down barriers to markets for both goods and services is an important part of a comprehensive Uruguay Round deal. Such a deal would include more equitable rules, covering agriculture, improved trade rules, a stronger dispute-settlement mechanism and arrangements for a multilateral trade organization.

In the course of the next few months, Canadian negotiators will be pursuing this important agreement. Certainly the leaders of the G-7 countries agree that there can be no more significant step in stimulating the world economy than to reach a comprehensive settlement of the Uruguay Round.

The Canadian government will be doing its utmost to see that agreement is reached. The Canadian public expects economic leadership; we are going to continue to provide it.

By strengthening the foundation of the world's trade highways, Canadians can become more competitive. We can sell and buy more goods and services, and we can add to the prosperity of all Canadians. This is our goal. We will pursue it with conviction and determination.

Thank you.