

Statement

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NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE

JOHN C. CROSBIE

TO THE ROTARY CLUB

MOUNT PEARL, NEWFOUNDLAND

October 26, 1988.

Ladies and Gentlemen:

I am pleased to be in Mount Pearl today to speak to you about Free Trade, an issue of importance for this city, for this province and for the country.

The Free Trade Agreement runs to more than 300 pages of carefully-worded legal text. It is a complex document. It has to be complex because it addresses comprehensively the largest trading relationship in the world, that between Canada and the U.S.

The government has sought to present this Agreement to Canadians in a factual way. That presentation is supported by the independent analysis of groups like the Economic Council of Canada, the C.D. Howe Institute, the Canada West Foundation and the Economic Council of Newfoundland.

That presentation is also supported by independent views of representatives of Canadian exporters and of all the major sectors of the Canadian economy, including manufacturing, the fishery, forest products, mining, energy producers, service industries and many agricultural groups. It is also supported by eight Premiers, including two who lead Liberal governments.

These independent assessments and endorsements of Free Trade are not in themselves arguments for the Agreement. But they are important in helping Canadians decide whose explanation of the Agreement is credible. In considering what this Agreement will mean for you and your families, for our province and for the future of the country, I would ask you to bear this in mind. Why is it that the Opposition see such dire consequences from Free Trade, while all these others do not?

Let me give you some facts why Free Trade will be good for Newfoundland and good for Canada. Here are ten reasons to support Free Trade:

- (1) Under the Free Trade Agreement, Canada will enjoy more favourable access to the U.S. market than any other nation. Opponents of Free Trade say we are angling in a stagnant pool, the economic heyday of the U.S. is past. Why then is Japan eager to open discussions with the U.S. on a Free Trade? Simply because the U.S. is the world's richest market, a market where favoured access is of great value to a trading nation. Canada is a great trading nation and the U.S. is our major export market.

- (2) Access to the U.S. market is critical to Canada's economy and critical to Newfoundland's economy. 65% of Newfoundland's exports go to the U.S. For the first six months of 1988, Newfoundland's exports to the U.S. totalled \$944 million. (That's an increase of over 145% from the figure of \$385 million in the first six months of 1984.) 76% of Canada's exports go the U.S., accounting for more than two million jobs. Securing access to the U.S. market will help maintain those jobs.
- (3) The Free Trade Agreement will spur economic growth in every province of Canada. The Economic Council of Canada has predicted that the Canadian economy will grow by 2.5% and Newfoundland's economy will grow by 2.7%, faster than the national average. 250,000 additional jobs will be created nationally, with employment in Newfoundland again predicted to exceed the Canadian average.
- (4) Elimination of tariffs will help Canadian exporters sell more goods into the U.S. market. This will include new products that it has not been possible to export until now because of high U.S. tariffs. An important example for Newfoundland is processed fish products that now face tariffs as high as 20%. Here's what Vic Young, President of Fishery Products International, said about the elimination of these tariffs under the Free Trade Agreement,

"At the moment, Canadian seafood companies have been forced, through a series of trade barriers, to build secondary processing plants in the United States to add value to Canadian fish products. With the reduction of tariffs on such products over the next several years there is little doubt that we will see a growth in the market for Canadian fish products and an increase in the production of these products in Atlantic Canada. In other words, Free Trade will mean an increase in employment opportunities in the Atlantic Canada fishery."
- (5) Elimination of tariffs will also help important sectors for Newfoundland like mining and newsprint production by reducing the cost of equipment and materials imported from the U.S. This will place our mines and paper mills in a stronger competitive position in tough international markets.

- (6) Elimination of tariffs will help consumers as well, reducing the cost of goods for an average family of four by an estimated \$800 per year.
- (7) The Free Trade Agreement will provide a shield against U.S. protectionism through binding dispute settlement in countervail and anti-dumping cases. To Newfoundland, this is especially important for the fishery. As Gordon Cummings, President of National Sea Products, has said,

"[At present] we find that the U.S. political lobbyists have been hard at work; that the [U.S. Trade] Commission is judge, jury and prosecutor in one; that we stand guilty unless we can prove ourselves innocent ... What the Free Trade Agreement can and will do is stop the frivolous U.S. actions, the bullying and the pre-judgment that has hurt the Atlantic fishery ... We welcome the dispute settlement mechanism outlined in the Free Trade Agreement."

Gordon Cummings speaks from experience. In recent years, the Atlantic fishery has faced seven countervail actions and one anti-dumping actions.

- (8) The Free Trade Agreement will not only act as a shield against unfair application of existing U.S. trade laws, it will help prevent new U.S. protectionist measures that could harm Canadian exports. The Agreement gives Canada the right to challenge proposed new trade laws before they go into effect and to have a panel composed jointly of Canadians and Americans determine whether those laws would be consistent with the rules set out in the Free Trade Agreement and in the GATT.
- (9) The Free Trade Agreement will give assured access to the U.S. market for Canadian energy exports. For offshore petroleum, this will help provide the confidence investors need to commit the huge sums needed to bring on stream future developments, like TerraNova, White Rose and Ben Nevis. As Arnie Neilson, President of Mobil Canada has said,

"[If] the free trade deal should not develop, it could cast doubt as to where oil might go in the future and we would need assurances that oil could be marketed in the United States. This will be provided by the Free Trade Agreement."

- (10) Because we have settled major trade issues with the U.S. in the Free Trade Agreement, Canada can now concentrate in the Multilateral Trade Negotiations under GATT on gaining access for our products in important global markets. One such important goal in the Multilateral Trade Negotiations will be to gain improved access for fish products to important markets, like the European Community, that have erected protectionist barriers against our exports.

Those are ten reasons to support Free Trade, ten reasons based on the text of the Agreement, ten reasons based on the facts.

I would like to outline now ten myths about Free Trade, ten criticisms based on a misreading of the Agreement, ten alarms raised by Free Trade opponents without any basis in fact.

Myth #1

- Ed Broadbent has said that social services are covered by the Free Trade Agreement and that Canadians will have to adopt the U.S. approach, for example, in medical care.

Facts

- The only services covered are those listed in Annex 1408 of the Agreement. Government, not-for-profit, and social services (like medicare or programs for seniors) are not listed and, therefore, are not covered.
- Commercially-provided laboratory and health care management services are listed, but because provincial governments can perform these services publicly or contract them out to whomever they please, U.S. firms can participate only if provincial governments choose to let them.
- In short, Canadians will continue to decide what social programs they want and how they will be provided.

Myth #2

- John Turner has said that Canada's social programs are threatened by the Free Trade Agreement because more open competition will force Canada to cut back on the burden of social programs to remain competitive with the U.S.

Facts

- Since 1947, there have been:
 - (i) significant reductions of trade barriers between Canada and the U.S.;
 - (ii) an increase (in real terms) of more than 1200% in our exports to the U.S.; and
 - (iii) the establishment of Canada's network of social programs.
- Why is it then that lowering remaining trade barriers (notably tariffs) will reverse the pattern of more than 40 years? How will this undermine our social programs? The answer is, it will not. Rather by increasing the nation's wealth, Free Trade will make it possible for governments in Canada to maintain and expand social programs, as we have done recently with the Child Care initiative.

Myth #3

- John Turner and Ed Broadbent say that the U.S. will attack Canada's social programs as an unfair subsidy in the five to seven year negotiations on the rules of countervail.

Facts

- Under the preceding myth, social programs were an unbearable burden for Canadian business. In this myth, the unbearable burden is transformed into an unfair subsidy. How can it be both?
- In any case, as my American counterpart, Clayton Yeutter, said on May 1 of 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."

Mr. Yeutter was probably referring to the GATT Subsidies Code which, as interpreted internationally, makes clear that social programs are not countervailable.

- If the Americans were to suggest, some time over the next five to seven years, some distorted approach to these issues, we would say no. It's that simple.

Myth #4

- Regional development is threatened under the Agreement, say John Turner and Ed Broadbent.

Facts

- As I have already outlined, the Agreement acts as a shield against misuse of U.S. trade law and against any harmful new changes to those laws. That gives new protections to regional development programs.
- Canada will continue to provide assistance for regional development under programs of general application, as we do, for example, through the Atlantic Canada Opportunities Agency. Again, if the U.S. were to suggest at some point over the next five to seven years some distorted approach to this issue, we would simply say no.

Myth #5

- Mr. Broadbent has said that we will be forced to adopt (lower) U.S. environmental standards and we will be unable to provide assistance for anti-pollution equipment.

Facts

- While under the Free Trade Agreement we will seek to eliminate differences in standards that operate as disguised barriers to trade, Article 603 recognizes that differences will continue to exist where necessary "to protect health, safety, essential security, the environment or consumer interests".
- As well, Article 1201 incorporates GATT Article XX which allows Canada to take measures to protect the environment, including "human, animal or plant life or health".
- These two provisions of the Agreement make clear that Canada has retained its sovereign right to take those measures needed to protect our environment, as we did earlier this year with the passage of the tough, new Environmental Protection Act.
- As for assistance for anti-pollution equipment, we consider this a valid domestic policy that does not offend the rules of trade. And the binding dispute settlement mechanism and the right to challenge new trade laws will help to protect our right to do so from any attack by protectionist forces in the U.S.

Myth #6

- Atlantic Canadians cannot compete, John Turner said in August.
"Sheer market forces could mean cutting Atlantic Canada adrift. The market forces inherent in the [Free Trade Agreement] would be to the detriment of Atlantic Canada."

Facts

- Producers in Atlantic Canada face international market forces every day. They make a valuable contribution to Canada's economy by competing successfully in international markets for goods like fish products, minerals, forest products and petroleum products.
- Exports from Atlantic Canada totalled more than \$6.7 billion in 1987, accounting for more than 23% of GDP. For Canada, total exports account for just over 24% of GDP. That's how we shape up in meeting international market forces.
- Because of what we produce, we face international market forces now. What the Free Trade Agreement will do is give increased opportunities to export into the U.S. market. That now accounts for 68% of all exports from Atlantic Canada.
- Here's what Vic Young had to say,
"[T]he very ethos of Free Trade is the economic improvement it will bring to Canadians, as long as we have the confidence to compete with the world and especially with industry in the U.S. In our view, we should have such confidence, and we should also have the good common sense not to ignore protectionist attitudes in the U.S. ... The free trade deal is for the long-term benefit of Canadians ..."

Myth #7

- John Turner said on August 18 that Atlantic fish processing jobs are threatened by the Free Trade Agreement.

Facts

- Article 1203 of the Agreement specifically excludes controls on the export of unprocessed fish by Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island and Quebec. These controls cannot be challenged under the Free Trade Agreement.

- As well, the U.S. has indicated that it does not intend to challenge under the GATT existing provincial East Coast regulations, such as those in Newfoundland which are grandfathered under the FTA. That is an improvement over the current situation.
- Atlantic fish processing jobs were never threatened and they are made more secure by the Free Trade Agreement.

Myth #8

- John Turner also said on August 18 that the Hibernia project is threatened by the Free Trade Agreement.

Facts

- Article 906 of the Agreement specifically allows future incentives for oil and gas exploration and development.
- As well, the Atlantic Accord is "grand-fathered" under the Agreement. As the Hibernia agreement is fully consistent with the Atlantic Accord, all of the benefits directed to Newfoundlanders are fully protected under the Free Trade Agreement.

Myth #9

- John Turner and Ed Broadbent have said repeatedly that our culture is threatened by the Free Trade Agreement.

Facts

- Our cultural industries ... publishing, film and video, audio and video music recording, broadcasting and cable ... are protected by Article 2005. Which exempts them from the Agreement.
- But while cultural activities can be fostered by governments ... as we have done and will continue to do ... a nation's culture is something that is part of the society. Canadian culture and identity ... certainly Newfoundland culture and identity ... are stronger and more confident than ever.

- Canadian society and Newfoundland society are more deeply-rooted and more mature than something that could be swept away by increased trade with the U.S.

Myth #10

- John Turner and Ed Broadbent say that our sovereignty is in peril, that under the Free Trade Agreement we are on our way to becoming the 51st state.

Facts

- These are no more than dark fears conjured up without reference to what the Free Trade Agreement actually does - provide for improved rules for commercial trade between Canada and the U.S.
- Canadians can choose to enter the Free Trade Agreement and they can choose to end it any time they want, on six months notice. That is the choice of a sovereign nation.
- For me, sovereignty has one further practical test - the ability of a nation to control its destiny. By that test Canada gains sovereignty through the Free Trade Agreement, by being placed on an equal footing with the U.S. in applying a common set of rules for resolving trade disputes and by achieving greater opportunities for development as a rising economic power.
- That is the reality ... not the myth ... of sovereignty that I want to achieve for Canadians.

Those are ten reasons to support Free Trade, those are ten myths about Free Trade. I believe that Canadians have the determination and the fair-mindedness to sort through the facts and the myths. I believe that when the time comes to decide, they will strongly support the Free Trade Agreement.