



Minister for
International Trade

Ministre du
Commerce extérieur

STATEMENT DISCOURS

CHECK AGAINST DELIVERY

87/63

Speaking notes for
the Honourable Pat Carney,
Minister for International Trade,
to the Pacific Northwest Conference
on U.S.-Canada Trade

SEATTLE

November 6, 1987.

Canada

Good afternoon ladies and gentlemen. It is a real pleasure for me to be here in Seattle today. Coming from Vancouver as I do, I consider being in Washington State the next best thing to being back home.

Congressmen AuCoin, Morrison, Smith and Swift share the honour with me of representing the West in our respective federal governments.

As Westerners, as Pacific neighbours, we share a special community and a special community of interest.

There is a natural North-South flow of trade and tourism here in the West that takes advantage of proximity, similar business practices, common language, climate, time zones and lifestyle. It has created what I consider to be a special bond among those of us in the West.

As you all know, this year Seattle commemorates the 25th anniversary of its World Fair. One short year ago, Vancouver was the site of Expo '86. Both events demonstrated the spirit of co-operation which exists in the Pacific Northwest as people from both sides of the border contributed to the success of these World Fairs.

The U.S.-Canada free trade agreement will help us to develop further this strong community of interest. It will open up an array of new economic opportunities and bring the Pacific Northwest a new wave of economic expansion and prosperity.

The significance of this agreement cannot be overstated. It makes three major contributions to international trade. First, it represents a sizeable expansion of trade between the world's two largest trading partners. The agreement is unprecedented in terms of volume and trade affected as well as the scope of commercial relations covered.

Second, the 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 partnership.

Third, it will serve both our countries well in our efforts to liberalize trade with our other partners in the general agreement on tariffs and trade. To the 95 countries involved in the GATT negotiations in Geneva, Canada and the U.S. will show that trading partners can find solutions to even the most complex problems when there is strong political will to find those solutions.

The U.S. and Canada have proven the old maxim that problems are only opportunities in work clothes.

Let me tell you, then, about the new opportunities this trade agreement will offer to Americans and Canadians. I would like to begin by outlining very briefly the main points of the agreement over-all and then go on to elaborate on those points of particular benefit to the Pacific Northwest.

In the U.S.-Canada trade agreement, we have resolved to:

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

These are the central points of the agreement over-all. Now I'd like to talk in a bit more detail about the points of particular interest to those of Westerners.

First, tariff barriers. Although much of the trade between Western Canada and the States of Washington, Oregon, Idaho and Alaska is already duty-free, significant tariff barriers still remain that impede our bilateral commerce.

There is a fact that is not often recognized. The agreement we have reached 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 our exporters.

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.

Another area of keen interest to the Pacific Northwest is trade in agriculture products. It is a particular concern of mine that I have been spending much time on since becoming Canada's Trade Minister. We are experiencing a world-wide crisis in agricultural trade which we must make a concerted and co-ordinated effort to overcome.

Canadian tariffs are generally twice as high as U.S. tariffs. The agreement will phase them all out within 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 businesses in this area many of which are limited to the Pacific Northwest regional market, the impact will be even more dramatic. Western Canada has a population base similar to that of the State of Washington and is an extension of your natural market. The agreement will provide more secure and enhanced access for your exporters.

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, of particular concern to the Pacific Northwest, the agreement makes solid headway. Virtually all barriers to energy trade will be removed, providing a stable framework for investment in new energy developments that will strengthen the energy security of both our countries.

Consumers throughout the U.S. will be assured continued, secure access to Canadian energy resources. And a more competitive energy market will improve industrial competitiveness here in the U.S. as well as in Canada.

While there is a general consensus in the international community that something must be done, not enough has been done. As Dwight D. Eisenhower once said, "Farming looks mighty easy when your plow is a pencil and you're a thousand miles from the cornfield".

With the U.S.-Canada trade agreement, we have begun to make progress in this critical area -- progress that we hope will set the pace for further progress in the ongoing multilateral trade talks in Geneva.

The U.S.-Canada trade deal 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.

We have also agreed to prohibit export subsidies in our bilateral trade. This marks the first time that any governments have agreed to prohibitions on export subsidies in the agricultural sector.

Let me make a specific reference to how the agreement covers the wine industry, another West Coast interest.

Canadians are already the best foreign customers for American wines. Nonetheless, the pricing and distribution practices of Canada's provincially-controlled alcoholic beverage outlets has irritated American producers. The free trade agreement will phase out these practices over seven years and place U.S. wine on an equal footing with Canadian wines.

Finally, the U.S.-Canada trade agreement succeeds in opening up opportunities for investors on both sides of the border.

The agreement ensures that American investors in Canada and Canadian investors here in the U.S. are treated in exactly the same way as their domestic counterparts. This means secure access and non-discriminatory treatment.

As many of you are aware, we are major investors in each other's economy. Well over 400 of the Fortune 500 companies have established operations in Canada. And many are expanding those operations.

These Fortune 500 companies recognize the compelling reasons for doing business and investing in Canada. They see Canada as the right place at the right time.

Canada is one of the most attractive and profitable business environments in the world. In fact, you may not be aware that Canada has the fastest growing and most dynamic economy among Western industrialized countries.

Canada also has an investment policy that actively promotes investment by Canadians and non-Canadians alike.

We have a sophisticated communications and transportation infrastructure.

And we have a quality of life that is second to none in terms of health, education and recreation.

That is why investors continue to invest in Canada at record levels.

These, then, are the facts in the free trade debate. History has clearly shown us that Canadians and Americans have adapted and prospered as we have reduced barriers to our trade. You simply cannot argue with this success although protectionist forces on both sides of the border try awfully hard to do so.

Canadians understand that the U.S. is grappling with a large deficit. However, Canadians would like Americans to understand that as far as your trade deficit is concerned, Canada is not part of the problem. Trade expansion with Canada is part of the solution.

You may not be aware that it is Canada -- not Japan, not the European Community -- that is America's largest and fastest growing export market.

In the first two quarters of this year, U.S. exports to Canada increased by \$3.5 billion (U.S.) over the same period in 1986. If this trend continues, last year's \$13.3 billion (U.S.) merchandise trade surplus in Canada's favour would be reduced below \$12 million (U.S.). The difference will be almost entirely the result of an increase in American exports.

And when you add in our trade in services, our current account is roughly in balance.

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.

I believe that this trade 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.

The U.S. and Canada are already firmly-established North American partners:

- in NORAD;
- in NATO;
- in the General Agreement on Tariffs and Trade;
- in the International Monetary Fund;
- at the Economic Summits of G-7 countries;
- and many other international organizations.

We are also neighbours in the Pacific Rim with a shared interest in participating more actively in the fast growing, dynamic markets of the countries bordering on this great ocean.

The kind of partnership I am talking about has already brought considerable benefits to the Pacific Northwest of this continent. The Pacific Salmon Commission, which effectively manages the important salmon resource of this region, exemplifies the history of co-operation and mutual benefit that we have enjoyed. The importance both of our communities attach to issues before the Commission demands our continuing effort and commitment.

I might mention that the Commission will be meeting in Portland, Oregon to review the state of the fishery in advance of the 1988 season.

Certainly, the partnership of the U.S. and Canada has enriched the lives and prosperity of both our countries. And, in my opinion, the U.S.-Canada trade agreement is simply the next logical step in further developing this productive partnership.

John F. Kennedy once described Americans as "inventors and builders who build best when called upon to build greatly".

Americans -- and Canadians -- are now being called upon to build greatly. With the completion of a U.S.-Canada trade agreement, we have built a new foundation for our trading relationship. Let's make the most of it.

Thank you.