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"TEN REASONS FOR SUPPORTING  
FREE TRADE"

87/66

Excerpts from a speech by  
the Right Honourable Joe Clark,  
Secretary of State for External  
Affairs

ST. CATHARINES, ONTARIO

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Let me start by listing ten reasons why this agreement makes very good sense for Canada.

First, Canada's system of social programs and national institutions - that system we are all very proud of - it's not just a question of pride. That system is also very expensive. You don't have it unless you have a strong and growing economy. It requires a prosperous economy to maintain the kind of society and set of institutions we have developed in this country. In order to maintain that prosperity, we simply have to trade.

One of the realities is that, of the seven industrialized countries that will come to Toronto next June for the International Economic Summit, only one depends upon trade more than Canada. Only West Germany depends on trade more than we do for its economy to prosper. In other words, the United States depends less on trade than Canada does. Japan depends less on trade than Canada does. So does France; so does Britain; so does Italy. We are uniquely a nation that depends upon trade for growth. If we want to maintain those characteristics that define this country - our social programs, our cultural programs, our strength and our reputation as a nation where opportunity can be pursued - then we have to grow. If we want to grow, we have to trade. There is no escaping that elemental reality about this country.

As all Canadians know, while that is the necessity that faces us squarely in the eye, the other reality that is developing around the world is the blossoming of the growth of protectionism. If you don't know about it, ask anybody in the lumber business; ask anybody raising hogs; ask anybody in any of the industries that have been faced with the threat of protectionism from the United States over the last several years.

One of the great advantages of the trade agreement entered into between Canada and the United States is that it turns the tide against protectionism. You will remember that it was initialled very late on a Saturday night. As it happened, the following Sunday I received at the airport in Ottawa the Foreign Minister of Saudi Arabia who was coming here on official business. As Prince Saud came down the steps of the aircraft, he said to me, thank you. I said, thank you for what? He said, thank you for signing that agreement with the United States, because we have all be threatened by American protectionism. Saudi Arabia as much as Canada. If they could not conclude an agreement to lower trade barriers between Canada and the United States that would have encouraged inexorably those forces of protectionism in a way that would have hurt the whole world.

One of the accomplishments of this agreement, one of the reasons it is good for Canada, is that there has been a turning in the tide of protectionism in the world.

A second reason is whether we like it or not, we now live in a world with an interdependent, global economy. And no two economies are more interdependent than Canada and the U.S. This agreement doesn't create that reality. That has been the reality for years and indeed former governments have tried to change it.

I remember Mr. Diefenbaker, in 1957-58, campaigned sincerely for office on a promise to try to divert 25 percent of our trade from the U.S. to the United Kingdom. He couldn't do it because it couldn't be done.

I remember in the mid-<sup>7</sup>60's, Mr. Trudeau with the so-called third option, tried again to divert substantial amounts of Canadian trade from the U.S. to Europe. He couldn't do it because it couldn't be done.

Indeed, instead of having a reduction in our trade relations with the United States as a result of those two initiatives, after both of them our trade relationship with the U.S. increased because there are certain inescapable facts of geography and of economic interplay.

So we are interdependent. The agreement doesn't create that reality. What it does instead is recognize that the interdependence that already exists requires cooperation - not confrontation - if we are both to avoid self-inflicted wounds.

Third, as the smaller (in terms of population) partner in the Canada/U.S. relationship, we know we will usually lose in any dispute that is based simply on power politics. It is therefore in our interest as a country to ensure that disputes between our nations are resolved on the basis of facts (not politics) and in accordance with the rule of law. This agreement not only restores the rule of law; we will be devising - after five or seven years - better rules and laws to govern cross-border commerce in the future.

Now I noticed in the press today that there was a suggestion by a lawyer retained by the Government of Ontario that the dispute resolution mechanism in place in this agreement, in fact, is no step forward. Let me tell you just briefly about that agreement and why it is a step forward.

It is the case that U.S. commercial law and Canadian commercial law will continue to apply. The problem has never been with the law. The problem has been with who judges the law. What will be in place as a consequence of the free trade agreement is not a change in the law but a change in the judge. And instead of having the American law applied by the United States Commerce Department, we will in the future, after this agreement comes into affect, have a trade law judged in the final analysis by an impartial bi-national panel drawn from both countries. That change in the impartiality of the judge is of fundamental importance in ensuring a return to the rule of law and providing some kind of guarantees for the smaller partner in this North American relationship.

Fourth, for years Canadians have worried about being drawers of water and hewers of wood. And one of the major reasons why we have exported our resources - rather than processed goods - is that foreign tariffs are higher on value-added products. By eliminating all tariffs, this agreement removes a major barrier to manufacturing and processing in Canada.

Fifth, free trade will encourage job-creating investment in energy projects across this country. And greater supply means greater energy security for Canada in the future.

As you know, I am an Albertan. Tucked away up in the north-east corner of Alberta we have the Athabasca Oil Sands. The Athabasca Oil Sands have within them proven reserves greater than the reserves in Saudi Arabia. Immense reserves available to Canada. We can't bring those on stream unless there is some certainty of demand. One of the things that will flow from this agreement is that there will be that kind of certainty of demand that will guarantee that Canada will have made in Canada, provided in Canada, energy from our own sources brought on stream because of our arrangements which encourages it to be brought on stream rather than encouraging it to be kept in the ground. What is true of petroleum and carbon resources in Alberta is also true of hydro resources in Ontario and elsewhere in the country.

Sixth, more secure access to the U.S. market means more job-creating investment here in Canada. It will stop the exodus of Canadian firms setting up shops behind the U.S. trade barriers. It will allow us to invest in modern world-scale plants. And it will make Canada a much more attractive location for foreign firms serving the North American market. It all means more jobs, better jobs, for this country.

Seventh, as you know, Canada is also pursuing global trade liberalization under the aegis of the General Agreement on Tariffs and Trade. By agreeing with the United States on new rules for so-called new issues - services, procurement, standards - and for some of the old questions - agriculture, automotive trade - we can enter these global negotiations from a position of strength.

Eighth, the Auto Pact is not just maintained - it is improved. And by being incorporated into a broader agreement, its future is more secure from political attacks by disgruntled Americans. Anyone who thought that the Auto Pact was going to remain uncriticized if there was no trade agreement simply shows no knowledge of current realities or of Canadian history. Indeed, if anyone thinks this arrangement is not good news for Canada, I wish they would please tell the United States' auto part producers who are saying that all the jobs are going to come to Canada.

Ninth, consumer prices will fall because tariffs are reduced. For example, our experts are estimating that a young family in Canada will save \$8,000 in buying and outfitting a new home when this agreement is in place.

Tenth, all of these benefits will flow to Canada without compromising our ability to maintain agricultural marketing boards, regional development programs, our assistance to the cultural industry, or our wide array of social programs.

I raise those because during the debate, before the initialling of the agreement, grave concerns were expressed in various parts of the country that we were somehow going to put at risk our ability to deal with regional development; put at risk our ability to encourage our cultural industry; put at risk those other elements of a distinctive Canadian life. Well, none of those is at risk. The negotiations steered clear of those shelves as we said we would. In fact, increased economic growth will help us maintain all of the institutions and programs that helped create the Canadian identity.

So those are ten reasons why this agreement is good for Canada.