

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE,
TO THE BOARD OF DIRECTORS
OF THE ONTARIO CHAMBER OF COMMERCE

TORONTO, Ontario
April 14, 1993

Mr. Chairman, ladies and gentlemen:

It is always a great pleasure to meet with representatives of Canada's vital private sector. When it comes to building business, working with customers, developing new markets and creating jobs, the Chamber of Commerce knows where the rubber hits the road. The Chamber is an influential voice when it comes to shaping this country's trade policies -- both internal and external. Your input here in Ontario, the nation's most productive province, and Toronto, Canada's financial capital, is a force to be reckoned with.

I am therefore pleased to share some thoughts with you today on the North American Free Trade Agreement (NAFTA), knowing full well that my words will fall on receptive ears. I will address specifically the issues of what is in the Agreement for this province, outline briefly the new Access North America initiative and show how this will help you take advantage of the opportunities the NAFTA will bring, and offer you some insights into the supplementary agreements that are being negotiated. Last but not least, I will touch briefly on another set of negotiations -- this time internal -- that are designed to remove the barriers that hinder trade within our own country.

As you know, we had three basic objectives when we decided to participate in the North American Free Trade Agreement (NAFTA): first, to improve our access to the dynamic, fast-growing Mexican market; second, to build on, and improve upon, the Canada-United States Free Trade Agreement (FTA); and third, to secure equal footing for Canada along with the U.S. and Mexico in competing for investment in North America. We have met all these objectives in the NAFTA.

The NAFTA will open up Mexico's growing market of 85 million consumers to Canadians like never before. Tariff barriers, import licences, investment restrictions, trade balancing requirements and other barriers to Canadian exporters of goods and services will be removed.

For Ontario exporters in particular, the NAFTA offers solid benefits. Let me briefly show you how.

The auto industry -- both automobile and auto parts makers -- has been rightfully described as the engine that drives Ontario's manufacturing economy. It is also the province's leading export sector. Mexico has the continent's fastest-growing automobile market. Under the NAFTA, it will eliminate within 10 years its protectionist auto policy, offering important new opportunities for sales to that country.

Ontario's machinery producers also stand to gain from the NAFTA. Mexico relies heavily on imports to meet its capital goods requirements, and Canadian products are already well accepted among Mexican buyers. As Mexico continues to develop

economically and to upgrade its industrial facilities, opportunities for Ontario machinery and industrial equipment producers will increase.

Telecommunications and information technology is another sector of Ontario's economy that will enjoy expanded opportunities because of the NAFTA. The Agreement removes tariffs and licensing requirements on telecommunications equipment and encourages co-operation toward harmonization of equipment standards for the entire continent. In addition, the Mexican telecommunications sector is being privatized and deregulated. By the year 2000, Mexico is expected to import 42 per cent more telecommunications products, and its demand for imported information technology will likely increase by more than 30 per cent in the next five years. As a result, the Agreement provides even greater opportunities for telecommunications and information technology companies in Ontario.

Many other sectors of Ontario's rich and diversified economy stand to gain from free trade with Mexico. For instance, the reduction of tariffs and licensing requirements should help Ontario's forest industry capture a share of the growing Mexican market for pulp, paper and wood products. Early elimination of Mexican tariffs for nickel, magnesium, and some copper and aluminum ingots means new opportunities for the province's mining and mineral products industry.

As Mexico's standard of living improves, Mexican imports of specialty food items will increase. Ontario is well positioned to benefit from the growing Mexican demand for packaged foods.

The NAFTA also gives greater operating freedom and investment opportunities to Ontario's banks and financial institutions.

All these new Mexican opportunities will not suddenly shift this province's export pattern. As you know, 85 per cent of Ontario's exports -- some \$60 billion worth -- are sold in the United States. The NAFTA is not likely to change that in the near future.

That is why it was important that the NAFTA strengthen and preserve Canada's access to the United States obtained in the Canada-U.S. Free Trade Agreement (FTA), ensuring that Ontario's exporters continue to build on their success south of the border. The NAFTA does just that.

I know that critics, including some in this province, are out to prove that the FTA is not working. We have never denied that there would be adjustments as the FTA began to kick in. I am also the first one to admit that, yes, we have had our problems in a period of recession. But that recession would have been much worse without the FTA. Let's just look at the facts.

We have already seen the benefits that the Canada-U.S. Free Trade Agreement has brought to Canada in the four years since its implementation. Our exports to the United States are setting record levels month after month.

Last year, exports to the United States rose a remarkable 13.6 per cent to \$122.3 billion, up \$14.7 billion from 1991. In 1992, we also saw the creation of 118,000 jobs in Canada.

The beginnings of this turnaround are in no small part attributable to our being partners in the FTA. Whether it is the accelerated elimination of tariffs -- worth \$8 billion in bilateral trade so far, with another \$1 billion slated in the third round -- or access to an exclusive dispute settlement mechanism (more than half of the completed panels had positive results for Canadian industry), all point to advantages of the bilateral trade agreement.

This experience with the FTA shows that participation in the NAFTA will provide further benefits for Canada.

The NAFTA clarifies the FTA's rules of origin, making it simpler to determine what percentage of a product is made in Canada. This means that exports from Ontario, especially automobiles, are less likely to be challenged by our trading partners when they cross the border. But if they are challenged, the NAFTA strengthens the FTA's dispute settlement mechanisms.

In addition, the NAFTA harmonizes customs procedures, expands coverage of service sectors, and extends the refund of duties paid on non-North American parts. The Agreement also makes it easier than ever for Canadian business people and professionals to work for short periods in the United States.

As well as creating new possibilities for the province's exporters, the NAFTA improves Ontario's ability to attract investment dollars. Because of the Agreement, companies opening new businesses in the province now know that they can sell their products to 360 million consumers in Canada, the United States and Mexico, making Ontario a better place than ever to invest.

The NAFTA also safeguards Ontario's fruit and vegetable growers by allowing Canada to take measures against any sudden surge in Mexican imports. Finally, the NAFTA provides better quotas for textile and apparel exports to the United States to offset changes to the rules of origin.

The NAFTA will not by itself revolutionize Ontario's economy, but it will open new doors for Ontario companies looking to sell in Mexico and the United States. The federal and provincial governments are ready to help, too, with market studies of the

United States and Mexico, seminars for business people, and trade fairs that promote Ontario companies across the continent.

One such federal initiative I launched last month is Access North America. This initiative is a direct response to the Action Plan of the Steering Group on Prosperity, a nation-wide series of consultations that the government initiated in the fall of 1991.

The Access North America initiative is designed to increase our exports to Mexico, and these exports in turn will create more jobs.

Let me emphasize that we intend to work in partnership with Canadian businesses like you to deliver key components of this initiative.

One of the key components of Access North America will be the establishment, during this fiscal year, of the first-ever Canadian Business Centre in Mexico City. This unique centre will be equipped to host solo Canadian trade shows and will provide companies with meeting space. Canadian companies will also have access to temporary offices, business support and translation services on site.

For companies that are new to the Mexican market, we will establish the New Exporters to Mexico Program (NEWMEX). NEWMEX will introduce a number of Canadian companies to Mexico through briefings on such topics as customs procedures, shipping, labelling, and financial and legal matters.

NEWMEX follows closely in the footsteps of the highly successful New Exporters to Border States (NEBS) Program that we established some years ago for the United States.

We will also be expanding our Trade Fairs and Missions Program for Mexico because it has a proven track record of success in that growing market. Access North America will add more than 40 prominent events annually. In addition, we will be expanding our Trade Fairs and Missions Program for the United States in those sectors that offer specific opportunities resulting from the NAFTA.

Market information and export education will be key to taking advantage of opportunities in Mexico. Access North America will put into place an extensive program of seminars, workshops, sectoral market updates and market niche studies in locations right across Canada. The objective is to acquaint business with the specific opportunities in that market and to equip you with the knowledge to pursue them.

We are also undertaking programs to capture investment opportunities arising from the NAFTA.

As you can see, Access North America is a bread and butter program. It will be a tool for companies who will see the great potential that the NAFTA creates in Mexico, but who will need some assistance in the basics of this new market.

Canadian businesses have already begun to increase their presence in the Mexican market. One need only point to the 4,500 business people who last year visited the Canadian Embassy in Mexico City, more than twice the number for the previous year.

I invite you to talk to my trade officials and let them show you how you, too, can make Mexico a key part of your marketing activities.

As you know, Canada has already introduced its legislation to implement the NAFTA, and we are confident that it will come into force, after its ratification in the United States and Mexico, on January 1, 1994. Meanwhile, we are participating in the trilateral talks aimed at producing additional agreements on the environment and labour, but agree absolutely with our partners that there is no question of renegotiating the NAFTA.

The NAFTA provides new safeguards that are important to the people of Ontario. For instance, during negotiations, Canada, the U.S. and Mexico made a strong commitment to environmentally sustainable development. As a result, the NAFTA contains more environmental provisions than any other trade agreement, and it forbids countries from lowering their environmental standards to attract investment.

Canada is committed to these parallel agreements, which are designed to strengthen environmental co-operation among our three countries and to open dialogue about the workplace in the liberalized North American market.

The work has already begun on these side agreements. We must, however, be careful when it comes to the question of enforcement of any environmental standard or labour issue that we might agree upon. After all, we are three sovereign countries and we must respect each other's sovereignty.

I am confident that we can find some common ground whereby we can all agree on greater environmental and labour co-operation and at the same time try to improve enforcement.

Among Canada's objectives in these ongoing trilateral talks is a North American Commission for the Environment (NACE). One of its functions would be to co-operate with the Free Trade Commission to achieve the environmental goals of the NAFTA.

The momentum toward more environmental awareness will help foster a climate that will be receptive to new environmental

technologies and products, which may be of interest to Ontario companies that specialize in such know-how.

In the labour discussions, we will be pressing for the establishment of a trinational body to focus on the improvement of working conditions and living standards in all three countries.

Trade liberalization -- internationally -- is essential if Canadians are to have access to wider world markets. But what about here in Canada? Barriers to the free movement of goods, services, capital and people have created fragmented markets.

Two years ago, the Canadian Manufacturers' Association estimated that the hundreds of barriers cost our economy over \$6.5 billion. In a world where being competitive at home is the basis of international competitiveness and of prosperity, fragmented local markets promote the uncompetitive. Creating barriers may have been intended to protect local interests, but in reality these barriers may set up local firms for failure when they are exposed to international competition.

A recent Canadian Chamber of Commerce study shattered the myth that barriers protect industry or that industry wants to maintain the status quo. It found that only 5 per cent of industry benefitted from barriers and that 95 per cent did not.

You know this. You see the operation of barriers in your day-to-day business. You must know of companies who were unsuccessful in bidding on a contract, not because of the price or quality but rather because of the location of the head office, or the place of residence of the workers. Some barriers to internal trade have been with us since Confederation. Some are as new as this spring's flowers -- if we ever see any. But all barriers, no matter how well-meaning their originators, have similar effects that discriminate against other Canadians.

David Morton, Chairman and Chief Executive Officer of Alcan, says, "Without the abolition of interprovincial trade barriers, we are fighting world competition with one hand tied behind our back." In fact, in some areas, our barriers to internal trade make it easier for foreigners to trade in Canada than for Canadians.

Canadians know that the time has come to remove these barriers to trade. Throughout 1992 the Steering Group on Prosperity consulted with over 10,000 Canadians, as well as business, labour, educational and social action groups, about the competitive and learning challenges that we face as a nation. Canadians told the Steering Group that it was time to eliminate all barriers to internal trade. I could not agree more.

So you might ask: "What are you doing about them?"

In March 1992, the First Ministers agreed on the need to accelerate the removal of internal barriers. To this end, they instructed the Committee of Ministers on Internal Trade to complete the work they had already been pursuing by March 31, 1995. Federal and provincial Ministers of Internal Trade have already agreed to open up bidding on most major procurement of goods for government departments. We have also produced an agreement on the sale of beer. But much more remains to be done if we are to deal with remaining barriers by 1995.

Canadian Ministers of Internal Trade are committed to meeting this target. At our meeting in mid-March, we agreed to launch not sectoral, but comprehensive negotiations to reduce internal trade barriers, a sort of internal NAFTA, if you will. These negotiations are to produce an agreement by June 30, 1994, with ratification to follow. Chief negotiators will begin their meetings by early May to prepare an overall work plan, including negotiations in specific sectors. Ministers will meet again in June to assess and approve the plan and will meet periodically during the negotiations to review progress and to give direction.

The final agreement will implement the principle that governments will treat people, goods, services and capital equally, irrespective of where they originate in Canada. It will also include effective compliance and dispute settlement mechanisms. In their work, negotiators will take account of important factors such as the transparency of application, environmental and consumer protection concerns, labour standards and regional development objectives.

In all of this, you, too, have a crucial role to play. You must ensure that all levels of government know about your interest in a single integrated Canadian market. You must let them know about the costs that you are bearing as a result of these barriers. In short, strong, clear and continuing views from the private sector are essential to this process.

I know that I can count on your continued interest and support.

Ontario is founded on a tradition of exporting and trade. The NAFTA provides even more opportunities to strengthen Ontario as Canada's export leader.

Thanks to the FTA, we have guaranteed and secure access to our best trading partner, the United States. We are fully confident that the NAFTA will be equally beneficial to Canada as a whole, and to Ontario in particular. With your help, all our trade-liberalizing efforts -- both international and domestic -- will lead to greater prosperity for all Canadians.

Thank you.