THE POLITICAL PERSPECTIVE

A look at the North American Free Trade Agreement

THE LIBERAL PARTY'S VIEW

by Kurt Peacock

The subject of Free Trade is one that has played an important role in Canada's past, and one that will play a continuing role in Canada's future. The Liberal government of Sir Wilfrid Laurier lost the 1911 election to the conservatives partly because of their support of reciprocity with the United States and the Liberal party did not form government in 1988 in part because they opposed the Free Trade Agreement between our Country and the United States. Now Canadians, and the liberal party, are once again presented with free trade, in the form of the yet to be ratified North American Free Trade Agreement, before a federal election.

Unlike the FTA, NAFTA represented an agreement where Canada could gain in many areas without sacrificing our comparative advantages. NAFTA even corrects some of the flaws of the FTA - including tightening auto origin regulations (uncertainty under FTA allowed the US to impose heavy tariffs on Canadian made Hondas recently) - but the agreement struck between the governments of defeated President Bush and Prime Minister Mulroney falls short in many areas. Two key areas left relatively untouched or mishandled by the Conservative-Republican negotiators were labor provisions (of particular importance considering the low costs of the Mexican workforce) and environmental protection (under NAFTA there are no trade sanctions against countries who use low environmental standards as a means of attracting investment). Newly elected President Bill Clinton and Liberal Leader Jean Chretien are concerned about these two areas and the three nations are prepared to set up parallel accords to improve NAFTA's shortfalls (one can only hope that a new liberal gov't will be at the bargaining table). The implementation of NAFTA is of great importance to Canada - not because it allows for greater access to our southern markets- but because it sets the scene for freer, more liberal trade on a worldwide basis. Since Canada is one of the largest exporters in an increasingly globalized world, such a scenario is necessary.

"Globalization" is a popular phrase among free trade enthusiasts - the upheaval of communist industrial nations, the new economic freedoms of the Chinese and the emergence of powerful trading blocks (particularly the EC of Europe and the increased co-operation between Asian nations) - all of this represents that the world is indeed changing, and those countries who refuse to waltz to this new tune will quickly find out that they will have no one to dance with. Globalization, however, does not mean that smaller economic powers (Canada and France) have to "dance', or form trading blocks with the first country with a larger GNP than their own (US and Germany). It does mean that these nations will have to learn to compete with the superpowers as these "free - trade' zones continue to expand - first at the continental basis (as we begin to see now), progressing to hemispheres until eventually the entire globe will be rid of tariffs and trade regulations. To do so, Canada cannot restrict itself to this continent alone, but aggressively pursue free trade on an international basis, or we will soon find out that the United States and Mexico (with a trillion dollar debt and human rights violations, respectively) are not who we want to dance with.

THE NEW DEMOCRATIC PARTY'S VIEW

by Chris Rogers

This article is the first in a series of four that will deal with our policies on a variety of subjects. This article will deal with our party's policy on the North American Free Trade Agreement (NAFTA).

It will probably come as no suprise to most people that the New Democratic Party is 100% opposed to this agreement. It should also come as no surprise that we are the only major party in Canada that is in fact fundamentally opposed to NAFTA. The Tories are so intent on blindly following what has been a very disastrous ideology that they will not even consider any other path. And as usual the Liberals cannot decide whether they should oppose the deal, whether they should renegotiate the deal, or if they should accept it.

There are a number of important reasons why we reject NAFTA. The main one is the conditions that Canadians have had to suffer with over the last five years as a result of our Free Trade Agreement with the United States. In the first two years of this agreement alone 30,000 jobs disappeared in the beverage industry. 11,000 jobs in the forestry industry, and 26,000 jobs in the clothing industry, just to give a few examples. All these jobs went either to the Southern United States or to the Maquiladora's in Northern Mexico, and are gone forever. As well, although those people who were displaced because of these closures where promised adjustment programs to help them deal with being displaced, all that they have gotten have been cuts to existing programs and no new programs to replace them.

Under NAFTA this situation will only get worse. More companies will move from Canada to the Maquildora's throwing even more people out of work and the government will continue to cut social programs in the name of competitiveness. For those who may have been fooled by this otherwise harmless sounding name, competitiveness, in this case, means a race to see who can drive down wages and eliminate social programs the fastest in order to attract multinational corporations to set up shop in their country.

Beside the ill effects that NAFTA will have on the Canadian economy, we are, as social democrats, also concerned about the effects that NAFTA will have on Mexico. In Mexico NAFTA will turn the country in to one big Maquiladora area. This means that all of Mexico will become a country where workers will be working for about 4% of what the average Canadian makes, workers will have no benefits, and have to work in conditions that are, in many cases, in violation of the human rights of the workers. We in the New Democratic Party find this to be a great waste of human potential. We believe that the people of Mexico, and all countries, should be able to live in a society in which they are paid a decent wage for their work, and are able to work in safe environments.

Another reason that we oppose NAFTA is that it will create a situation where raw materials from Canada will be shipped to Mexico for processing and this will be financed by American capital. As a result of this everyone, except the multinational corporations, will lose. This is because Industry will move from Canada and the U.S. to the Maquiladora region in Mexico causing more unemployment in Canada and the U.S. In Mexico because of the unemployment situation there, about 70% unemployment, more jobs will not encourage an increase in wages and may even cause a reduction in wages in order to attract more industry. At the same time this is happening the corporations will be raking in bigger and bigger profits.

Having stated that we are opposed to NAFTA, and having given some of the reasons why, our own trade policy should be discussed. The New Democratic Party believes in a policy of fair trade, in which there should be minimal or no barriers to trade in most goods, but in which a country should be able to protect industries of economic importance. We believe that things such as social programs, culture, etc. have no place in trade agreement since they have nothing to do with trade. We also believe that trading relations should be of a multilateral rather than a bilateral, or trilateral nature.

Don't forget to look for our column next week on jobs.

THE PROGRESSIVE CONSERVATIVE'S VIEW

by Dennis McCarron

On December 17, the North American Free Trade Agreement (NAFTA) was signed, thereby beginning the official approval process.

What is the rationale behind our decision to pursue NAFTA? History has continually demonstrated that free markets and more open trade are beneficial. Clearly, with a young, rapidly growing population of 85 million people and an economy showing consistent growth, Mexico offers a promising market for Canadian exporters. This growing Mexican market requires massive investment in infrastructure, new plants and machinery. It requires goods and services to satisfy an expanding population.

Our decision to pursue NAFTA was also aimed at addressing the present situation that has 80% of Mexico's exports to Canada entering duty-free, while most Canadian goods and services face barriers entering Mexico-in effect, one-way free trade is definitely in Mexico's favor. Under NAFTA, most of these barriers to Canadian imports will be gone in ten years, and many will be eliminated immediately.

Contrary to the claim of NAFTA's opponents that "multi-nationals" are driving the push for free trade, over 80% of the Canadian firms involved in recent Mexican trade shows have been small and medium-sized. The efforts of these firms are generating results: Canada's exports to Mexico in 1992 were up over 70% from Canadian exports to Mexico in 1991.

Many of our critics have been hostile to the proposed NAFTA. They choose to ignore the lessons of history and the outstanding success Canada has achieved in the international markets under the General Agreement on Tariffs and Trade (GATT) and the Canada - U.S. Free Trade Agreement (FTA).

Under GATT, the average tariff laid on Canadian exports to foreign countries has declined from 30% in 1947 to just 3.3% today. Through all this trade liberalization, Canada has grown more prosperous. Canadians have enjoyed greater selection, higher quality and lower prices than would have otherwise been possible.

Under the FTA, Canada has attained remarkable success in the U.S. market. The critics predicted exports would collapse under the FTA but instead, merchandise exports have increased to record levels. We are on course to generate a record $120.4 billion this year, substantially exceeding all pre-FTA export figures. The critics also said that Canada's terms of trade would be decimated under the FTA. Instead, Canada is running a trade surplus of $16.8 billion, up over 21% from last year. This trade surplus is one of the highest levels ever recorded. Canadian manufacturing exports have reached an all-time high market share in the U.S., where 16 out of 22 Canadian manufacturing industries have gained market share in the U.S., while 18 out of 22 U.S. manufacturing industries have actually lost market share in Canada.

A study by the C.D. Howe Institute, one of Canada's most respected research institutions, concluded "... It seems clear that the recession has not been due to factors directly related to the FTA... Free trade with the U.S. has helped the development of the higher value-added industries that are crucial to Canada's future economic growth." Clearly, the FTA has greatly benefited the Canadian economy, and thus, all Canadians.

Canada is definitely competitive in the U.S. market under free trade, and we most certainly have what it takes to prosper in an expanded trading area that incudes Mexico. Canadian workers are six and a half times more productive than their Mexican counterparts. Inflation here is lower. The cost of capital is lower. And our infrastructure and the quality of our labour force is vastly superior.

What will NAFTA mean to the Maritimes?

-immediate elimination of Mexican tariffs on fish and shellfish, including Atlantic Salmon, crab and some dried and smoked fish.

-elimination, within five years, of Mexican tariffs on lobsters, scallops, mussels, oysters and prepared and processed fish.

-improved access for apples, raspberries and blueberries.

-early elimination of Mexican tariffs on some newsprint, veneer, maple lumber and pulp.

-immediate elimination of Mexican tariffs on a wide variety of industrial/electrical machinery and equipment.

-removal of Mexican tariffs on key metals.

-improved access to Mexico for professional (including engineering) services - an area in which the Maritimes has great strength.

-better access to government contracts for suppliers of a large range of industrial and high technology goods, professional and business services, as well as construction materials.

Let the final word be from some of the many Maritime companies that are thriving in Mexico, and feel NAFTA will mean increased sales and higher employment in Atlantic Canada. These include:

Connors Brothers Ltd. (canned seafood, St. John); Diagnostic Chemicals (medical diagnostic kits, Charlottetown); Ganong Brothers (confectionery, St. Stephen's); McCain Foods (Florenceville, N.B.); Nolan, Davis & Associates Ltd. (environmental services, Halifax); Sydney Steel Co. (steel, Sydney); Trenton Works (engineering services, Pictou County, N.S.).

The North American Free Trade Agreement will make Canada an active partner in the world largest trading block. With NAFTA, Canadians will have the opportunity for increased employment, higher income and a better standard of living.

THE CONFEDERATION OF REGIONS PARTY'S VIEW

by Reg J. Fleming

Many Canadians have grave concerns as to the ramifications the North American Free Trade Agreement (NAFTA) will have in regards to the ecosystem. It is feared that corporations will relocate to take advantage of less stringent Mexican environmental legislation. As well, some people are voicing concerns as to workers rights, and safety conditions in Mexico. It is with sincere concern that Canadians have raised these issues, and Governments would be wise to heed the will of the people.

While NAFTA is an agreement under Federal jurisdiction, New Brunswickers have concerns which are unique to ourselves. Freer trade which is fair and equitable can be an asset to our economy. NAFTA will present new challenges and exciting opportunities for New Brunswickers.

This province will meet its maximum development potential only through hard work and private enterprise. Policies must be implemented which will enhance the free enterprise initiative that helped build this country. This can be achieved through less government interference and bureaucracy. However there are certain sectors of our economy which must receive distinct consideration.

In agriculture, supply management systems have worked well for farmers. Allowing farmers who are willing to take market risks to do so within this system would be a positive development. Our system of supply management has to be protected in some way from the threat of NAFTA as well as GATT in order to allow our farming industry to survive. CoR-N.B. has four goals in agriculture industry: fairly priced food, maintenance of the family farm, self sufficiency for our agriculture industry, and secure local and out-of-province markets for New Brunswick grown produce.

Crown Corporations should be managed efficiently, cost effectively, with the greatest possible accountability to the owners, all New Brunswickers. Under the provisions of NAFTA Crown Corporations will be forced to buy on the open market. Thus N.B. Coal would have to compete on the open market to sell coal to N.B. Power. Under this scenario it is very unlikely that New Brunswickers in the coal industry would unjustly lose their jobs due to foreign competition.

New Brunswickers are some of the most intelligent, best educated, hardest working individuals on the globe. Given a level playing field we can compete with the best the world has to offer. But there are many complications arising from NAFTA, not limited to the ones described here, which could adversely affect New Brunswickers. The Provincial Government must not simply place its blind trust in the Federal Government to protect its interests. Both the National and Provincial Governments must recognize, address and find concrete solutions to these problems if New Brunswickers are to receive the maximum potential benefits of freer trade.

Next week: Unemployment in Canada