

INTERNAL TRADE FUTURE

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I. INTRODUCTION

I WOULD LIKE TO THANK ORGANIZERS for inviting me. The theme of my remarks, I hope, is drawn from the first part of the Conference title: "Strengthening Canada".

Earlier speakers have talked about the impulses that led to the negotiation of the *AIT*. Strengthening Canada was one of them; but very much in the context of the Meech Lake failure, the Charlottetown impasse and the impending defeat of Robert Bourassa's Liberals to the PQ.

The international context inspired much of the approach and content of the *AIT*. My recollection is that this was more a result of circumstances than design. In any event the final product looked a lot like NAFTA. And I suppose it would not be unreasonable to link the push for regional trade agreements to Conservative Brian Mulroney's adoption of the recommendation in Liberal Donald Macdonald's Royal Commission Report.

Both these circumstances have changed. First Ministers are not pre-occupied with National Unity the way they were. And international leaders have to hide behind chain link fences if they want to talk about free trade.

And, most importantly I will argue that public attitudes have changed. I don't want to focus too much on opinion about the issues, as interesting as it is. Instead I want to talk about what it means for how we address the issues.

One of the points I want to make is that we have one of these classic situations where experts – people in this room – are dealing with an issue of significant public consequence but bring to it a different set of values than those held by the general public. There is, at least in the US, a body of research that probes these differences with a view to understanding how to get resolution on difficult public policy questions.

Daniel Yankelovich, who is one of the leaders in this field, has observed that one of the basic assumptions about democracies is that leaders and the led share the same values; they don't.

Let me illustrate with some questions:

- Do you think that policy decisions on internal trade depend on high degree of specialized knowledge and skills?
- Do you believe that only experts possess that knowledge?

- Do you believe that the Canadian people lack the relevant knowledge and are not really that interested in acquiring it because they are only concerned with issues that directly affect their pocketbooks?
- Do you believe if the public were properly educated about the issues they would support your position, be that strengthen the *AIT*, leave it alone or dump it?

My answer to all of these questions is no. And I hope I will be able to encourage some of you to share my views. Because, I don't think we can respond to the challenges of internal trade and mobility or strengthen Canada in any other way.

By the way, I think the *AIT* was a great achievement *for its time*.

It succeeded in dealing with many of the issues related to Canada's economic union which were not resolved in the Meech round of negotiations or Charlottetown. It was a classic Canadian compromise done by intergovernmental agreement.

I think it should have been celebrated.

Instead, from day one the federal minister attacked it as inadequate and ineffective (which it may be, but that's not the point).

If you broadcast to the world that the *Agreement* was little more than a pathetic joke, you shouldn't have been surprised that those who were intended to benefit from it didn't take it seriously.

Canadians should have been encouraged to use it; to take advantage of its good provisions and to demonstrate its flaws – to build a broad based constituency for change founded on experience, not rhetoric.

But in losing that opportunity, we may have lost other opportunities as well.

As I said, I think the *AIT* was a great achievement *for its time*. But the world changes. For example, for all intents and purposes the internet didn't exist when the *Agreement* was signed. We thought it was cool to send floppy disks through the mail.

I don't think the negotiating process we used would work in today's political context.

But let me take you back to those heady days.

II. CONTEXT

WHEN MINISTERS AGREED TO NEGOTIATE a comprehensive internal trade agreement (there were a number of successfully negotiated specific agreements such as IGAP) the country was in a post NAFTA euphoria, of sorts.

At least provincial officials with trade responsibilities were.

During the FTA negotiations, the so called consultation with the

provinces was run by Simon Riesman, Canada's chief negotiator who seemed to take particular delight in verbally abusing provincial officials and the retired federal guns the provinces had hired to help them.

In contrast Canada's NAFTA chief negotiator engaged the provinces in a meaningful consultation (not partnership) and entranced provincial officials with the elegant culture and language of the trade negotiator.

So, all of us who had done the equivalent of a post graduate seminar in international trade had a chance to apply our lessons domestically negotiating an Internal Trade Agreement.

Armed with copies of the final NAFTA text, secret, square bracketed versions of which we had shared and commented on over the years, we went to work. We went to work to make an internal agreement worthy of the international model we had embraced.

So far, we haven't needed to erect chain link fences when internal trade ministers meet. Maybe that's because they hardly ever meet.

In any event I think, when considering the future of the *AIT* you have to ask what changed internationally. To be sure there was opposition to the FTA, for example, the Peterson government in Ontario and many of the same groups who were outside the fences in Quebec City. If the 1988 federal election was a referendum on the FTA, the free traders won.

There was opposition to NAFTA and WTO and even a few modest protests against the *AIT* (including BC's continuing official dissent) – but there is nothing like now. What's changed, if anything, and what does it mean for the future of the *AIT*, if anything?

III. WHAT'S CHANGED

THE FIRST POSSIBILITY IS THAT ANTI-GLOBALIZATION, anti-free trade protesters just got better organized, and ironically started to make effective use of global telecommunications technology – the internet – and learned how to make better use of the media. In effect, there has not been a real shift in public opinion and public understanding. It's just that the people who never liked trade agreements and globalization have gotten louder and more boisterous.

While I think this is partly true, I don't believe it is the most important change. Even so, as we have learned over the years, the media attention and public focus can feed back into a broader base of public opinion. So decision-makers and policy makers will have to take note.

The second possibility is that a larger group of people got interested, and concerned about what globalization meant for them. Trade issues, internal and international, are complex and unless there's been some kind of engagement or process, the public doesn't know how to express its views and communicate them to their political leaders.

And their political leaders don't know how to figure out the public either.

As Daniel Yankelovich says:

Ironically, opinion polls, despite their proliferation, rarely reveal the public's real preferences on complex issues. Polls work best when people know what they want. But on most complex issues most of the time, people haven't worked through what they want, especially when painful trade-offs are involved. As a result, polls often mislead and confuse politicians. (Yankelovich, *American Prospect* v11, n25, Sept-Oct 2000)

Trade is a complex issue, where the public hasn't worked out what it wants and the issues are often characterized by painful trade-offs.

A major US poll's findings demonstrates some of this ambivalence:

In principle, a majority of Americans support the growth of international trade, especially when the removal of trade barriers clearly is reciprocal. However, Americans are lukewarm about the actual net benefits of trade for most sectors of society, except for the business community. A majority believes trade widens the gap between rich and poor. A strong majority feels trade has not grown in a way that adequately incorporates concerns for American workers, international labor standards and the environment. Support for fast track is low, apparently because it signifies the increase of trade without incorporating these concerns.

This masks another important issue that matters to this gathering of experts. You can't assume that the public shares your values and attitudes on these questions.

For example a recent US poll found that on the question of globalization, 54% of the public and 87% of leaders believe it is mostly good for the United States. Among both the public and leaders, support for globalization correlates with support for international activism and multilateralism

Canadian opinion researchers do not appear to be into "elites" versus "general public" attitude differences as much as their US counterparts but: In Canada, Ekos found that elites are more supportive of "international competitiveness" as a policy objective than the general public.

In a report on Canadian attitudes about trade Queens University

researchers Mathew Mendellsohn and Robert Wolfe concluded:

Asking a survey question about “trade”, therefore, may be asking citizens about something they neither think about nor understand. We found that opinion about trade is not really about trade, but about other concerns, attitudes and values. (Mathew Mendellsohn and Robert Wolfe, *Probing the Aftermyth of Seattle: Canadian Opinion on International Trade 1980 to 2000*, Queen’s University School of Policy Studies, Working Paper 12)

It appears that few Canadians have any inherent affective attitudes toward liberalized trade — either liking or disliking it, per se. What they do have is evaluations of how liberalized trade is impacting upon things they value. “Liberalized trade” is an empty shell that attracts little loyalty or hostility on its own.

Based on a review of various public opinion polls questions about the economic impact of liberalized trade since the early 1990s, Mendellson and Wolfe conclude that the debate over the economic benefits of liberalized trade has essentially been won by its proponents, with the modest qualification that people like it more in theory than in practice. But at the same time there is growing unease about the non-economic aspects of trade

The dual nature of public opinion at the moment — confidence about the economic impact of trade and uncertainty about the social impact — is particularly striking when one considers the fact that these social concerns are central to many Canadians’ sense of their own national identity. The debate over trade is shifting from the economic to the social, and Canadians’ core conceptions of who they are will be brought to bear on these debates.

This closes the loop from trade back to Strengthening Canada.

IV. WHERE TO GO FROM HERE

NOBODY HAS A PROBLEM WITH IMPROVING THE ECONOMIC UNION, but they are concerned about all of the other unstated agenda items that might get dragged along. It is about exposing these things that the calls for transparency and openness are about.

The public doesn’t need to be made more aware of the costs of trade barriers (they’re not very credible numbers, anyway) or hear even more

simplified versions of the economist's case for the gains from trade, or more on the merits of labour mobility. I don't think that arguments about the threats of liberalized trade hold much sway either.

We need to find a way to put things back into context – the context of strengthening Canada. If we don't have a shared vision about what we need to do to make Canada stronger we cannot possibly know how to change the *AIT* to help. The *AIT* can help implement the vision; it's not a substitute for the vision.

You can no longer hive off a piece of the public agenda, call it improving the economic union and deal with it in isolation.

Don't try things through the back door that you couldn't get through the front. Don't burden the *AIT* with agendas it is not well-equipped to handle.

We used to say that the pursuit of a more perfect economic union does not necessarily involve a more perfect *AIT*. Actions by governments completely unrelated to the *AIT* such as regulatory reviews to make things work better in your own jurisdiction benefit citizens and businesses in other jurisdictions.

But the issues are complicated, the public has not had a chance to settle on what it really wants and there are painful tradeoffs.

Let me use labour mobility as an example:

Mobility rights are incorporated in the Constitution through the Bill of Rights. The principle has been accepted as one of our fundamental values. Yet as William Thorsell pointed out in a speech endorsing mobility...

The Canadian Constitution enshrines multiculturalism, bilingualism, aboriginal rights and equalization payments, which subsidize the immobility of our citizens by race and place, supported by unemployment and regional development programs explicitly crafted to assist immobility. True, national medicare and welfare programs make it easier to move around, but they also make it easier to stay put. Far more public money goes into place-maintenance than individual mobility in Canada.

[Yes, we still have indefensible legal barriers to labour mobility across Canada, ranging from doctors to carpenters. We often don't successfully integrate immigrant professional and artisans into the economy. And, we still have barriers that arise from unequal educational and social conditions, as well as tendencies to discriminate discreetly on the basis of race, gender, age, disability and sexual orientation. But, this said, Canada still offers far more scope for exploration and resettlement than we are prone to use.]

Before we speak too harshly of artificial barriers to mobility within Canada, we need to really want it, and we need to want it more. [The deadliest weapon against sentimentally small horizons and functionally

limited scope is education, and now that the Internet is allied with much more accountable school systems across the country, education should provide both vertical and geographical mobility to a far greater proportion of Canada's youth. Indeed, if we get education right, moving up may not imply moving away to the extent it does today.] - Taken from Closing William Thorsell's Closing Remarks - Shaping the Future: Qualification Recognition in the 21st Century Toronto, October 15, 1999.

And I would add, if we want to deal with internal barriers to trade in Canada we have to want it more. Not just some of the people in this room, but all Canadians.

And it's not just a question of educating the uninformed about the merits of liberalized trade, they already know.

It is about making sure that we proceed in a way that takes their values into account. Healthcare, the environment, fairness, respect.

One of the things that pollster Micheal Adam has found is that Canadians from all parts of the country - East, West, rich poor, North, South, English, French and of all origins have shared values that set us apart from Americans, for example. It's really quite impressive.

You may have seen a recent report of some of Micheal Adam's work in the Globe, in which he talks about research they did on how Canadians would have voted in the US election. Overwhelmingly and consistently across the country Canadians would have voted for Al Gore. Apart from showing one again that we have common values, Adams concludes that we should have no fear of Americans taking us over, they don't want 50 or 60 Gore type votes in the electoral college.

We have the foundations for a strong country but it means we have to have public discussions about difficult issues.

Canadians would support a strengthened AIT, but I think the message is: Show me *more than the money!*

