first reading

Vol. 7 No. 1 September/October 1988

a publication of the Edmonton Social Planning Council

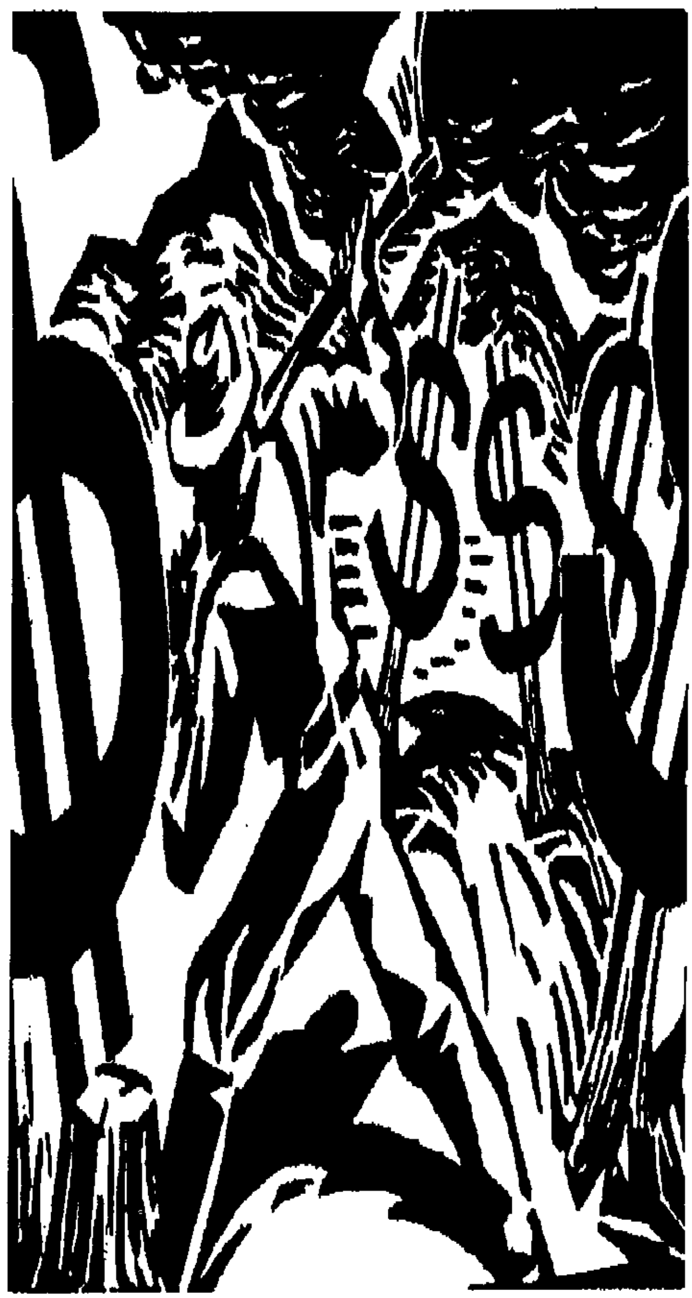
Free Trade

The Free Trade Agreement negotiated between Canada and the United States hangs over our heads like a giant question mark. Too many of us are uncertain about its meaning and possible effect on Canada's economic and social well-being.

We are all beginning to realize that perhaps we should start paying more attention to, and becoming more informed about, the deal. As much as we hear about it, as much as it has invaded our consciousness, we suffer from a significant uneasiness. Someone said that they used to spend their time worrying about "the Bomb," but that now they worry about free trade.

We will be going to the polls very soon, and free trade is going to one, if not the principal, issue in the federal election. *First Reading*, therefore, thought it appropriate to provide its readers with what we believe is some concise, well-informed commentary on the Free Trade Agreement.

The "hewer of wood..." graphic is by Joe Morse of Toronto. It is reproduced here with the kind permission of the artist.



FREE TRADE AND HUMAN SERVICES
Peter Faid

The Edmonton Social Planning Council has, in its work, tried to inform its members about the implications of free trade upon the development of human services in Canada. The following article draws on material prepared by the Council earlier in the year. Given the importance of the free trade debate it was decided to include the information in this edition of *First Reading*.

Since the signing of the Free Trade Agreement, both the federal government and the government of Alberta have continued to reassure us that social programs and social services are exempt from the provisions of the agreement. However, a close reading of the fine print in the Free Trade Agreement suggests that the public has been very seriously misled. There are clearly major implications for those involved in the human service sector and we have had no opportunity to really examine or respond to these implications. As well, we have not been sufficiently reassured that our health care, unemployment insurance, pensions, family allowance and welfare programs have been sufficiently protected from major erosion as a result of the Free Trade Agreement.

National Treatment for U.S. Firms

Of particular concern to those of us in the human service sector is Chapter 14 of the Free Trade Agreement which deals with services. No international trade agreement has ever included such a comprehensive treatment of services as does the new proposal between the United States and Canada. Further, it does not simply apply to trade in services as we normally understand them, such as computer or data processing services imported from the U.S. It will also give U.S. service firms operating within Canada the same rights as Canadian firms.

This is the important principle of "national treatment." It obliges Canada to provide the same arrangements with respect to taxes, regulations and requirements to all American companies who wish to do business in the service sector in Canada. The term "national treatment" is also taken to mean provincial treatment, so that provinces will be required to treat U.S. firms as they do other businesses in the province. It has been pointed out, as bizarre as it may seem, that it will still be possible for provinces to discriminate against businesses located in other provinces, but not against U.S. firms desiring access to a provincial market! The Free Trade Agreement also states that each country may require licensing or certification for service providers, but they must ensure that any such requirements are not discriminatory or "used as a disguised restriction on trade."

U.S. Management of Health and Social Services will be Possible

Chapter 14 of the Free Trade Agreement outlines in tedious legalese the coverage, rights and obligations relating to trade in commercial services. It also includes a lengthy annex which lists the various services to be included. The document clearly states that most commercial services are covered "with the exception of... doctors, dentists, lawyers, child care, and government provided services (health, education and social services)." However, later in the chapter reference is made to the fact that the agreement will cover "health care facilities management services."

Anyone seeking further clarification on what particular management services might be included is left with the unhelpful suggestion that they consult the Statistics Canada Standard Industrial Classification catalogue, beginning with number 861 through 868 omitting 864. Once these reference numbers are identified it becomes alarmingly clear what the possible impact of free trade on our human services could be.

As a result of the Free Trade Agreement, and its principle of "national treatment," American companies must be accorded non-discriminatory access in any tendering process associated with the management of a whole range of health, institutional and social services. These include:

- General Hospitals
- Rehabilitation Hospitals
- Extended Care Hospitals
- Mental Health Hospitals
- Addictions Hospitals
- Children's Hospitals
- Other specialty hospitals
- Nursing homes
- Homes for Physically Handicapped and/or Disabled
- Homes for the Mentally Retarded
- Homes for the Mentally Handicapped and/or Disabled
- Homes for Emotionally Disturbed Children
- Homes for Alcohol/Drug Addicts
- Homes for Children in Need of Protection
- Homes for Single Mothers
- Ambulance Services
- Drug Addiction & Alcoholism Treatment Clinics
- Health Rehabilitation Clinics
- Home Care Services
- Public Health Clinics/Community Health Centres
- Medical Laboratories
- Radiology Laboratories
- Public Health Laboratories
- Blood Bank Laboratories
- Offices of Physicians, Surgeons and Dentists
- Offices of Chiropractors, Osteopaths
- Office of Nurses, Nutritionists and Dietitians
- Offices of Physiotherapists/Occupational Therapists
- Offices of Optometrists
- Office of Podiatrists and Chiropodists
- Offices of Social Service Practitioners, Psychologists and Social Workers ("Registered social workers in private practice primarily engaged in providing professional counselling to individuals, families or groups.")

Despite the length of this list, it has been pointed out that child day care and nursery school services have been protected from the list of human services that could become vulnerable to American management services. However, while child care is not listed in the chapter on services, it *does* appear in the chapter on investment. Consequently, U.S. child care firms are granted the right to invest, establish themselves in Canada and be treated similarly to any Canadian firm.

A further, and particularly worrisome, section of the agreement with respect to services is included in Article 1405. There it is stated that the agreement will, over time, be extended to include any additional services that are not already covered. Consultation between Canada and the United States is anticipated "for identifying further opportunities for increasing access to each others services market." As a result, it will be relatively easy in the future to add services that, because of public concern, were not initially identified.

Extraordinary Concessions

The extraordinary concessions that Canada has made in the area of services have been well highlighted by groups in Canada who are concerned about the Free Trade Agreement. As the Pro Canada Network has pointed out:

"...the major problem is that Canada and the U.S. have opposing interests in the service sector...The U.S. accounts for one-fourth of the total world trade in services and it is the only area which consistently provides the U.S. with a trade surplus. While our domestic economy is dominated by the service sector, in that it accounts for about two-thirds of the national income and 70% of the jobs in the country...we habitually run a trade deficit in services. The free trade agreement will not substantially enhance Canada's export prospects in services rather, it gives U.S. firms almost complete access in Canada."

U.S. Approval Required

The Free Trade Agreement includes a surprising provision with regard to public monopolies. While the agreement recognizes the right of governments to establish or maintain monopolies, the

U.S.must be notified before Canada moves in this direction in order to ensure that any proposal will not adversely affect U.S. interests. The implications of this inclusion are far reaching and would make it extremely difficult for a province to establish, for example, a government run auto insurance scheme or denticare program.

No international trade agreement has ever included such a comprehensive treatment of services as does the new proposal between the United States and Canada...it does not simply apply to trade in services as we normally understand them...It will also give U.S. service firms operating within Canada the same rights as Canadian firms.

Questions Which Must Be Answered

While there are American companies presently providing management expertise to Canadian human service organizations, we must be concerned by the implications of the Free Trade Agreement's principle of national treatment for the future of the human service sector in this country.

- What implications will the Agreement have for the inherently Canadian norms and values associated with the development of human services in this country?
- Why should we be expected to make the necessary adjustments to ensure that American models and practices fit our Canadian context?
- What implications are there for areas of provincial jurisdiction in human service delivery? Will the provinces be limited in their ability to take important new initiatives in human services, because of the fear that Washington will judge the initiatives to constitute discriminatory treatment? Will provinces be able to set standards for the delivery of human services without violating the principle of "national treatment?"
- What implications are there for services funded by the federal government under the Canada Assistance Plan and the Established Program Funding Act? Will any new national initiatives be threatened by *both* the Meech Lake Accord *and* the Free Trade Agreement?
- With the federal government's proposed new Child Care Act, will we be required to share the proposed $3 billion in contributions to the operating costs of both non-profit and commercial day care centres with a growing number of American for-profit day care operations claiming "national treatment?"
- Will the Free Trade Agreement provide an unhealthy stimulant to the already questionable practice of the privatization of human services?

Existing Health and Social Services Programs

It is evident that the groups who presently offer the strongest support to the Free Trade Agreement are those who have consistently argued that increasing expenditures on health and social programs has been the cause of our growing deficit. It is the cost of these programs, so they say, that reduces the ability of governments to invest in the economy, is the cause of rising taxation and the reason that businesses cannot remain competitive.

The Free Trade Agreement is an appealing beacon to those employers and business interests, regardless of whether they export to the United States, who want to see their costs lowered and health and social services spending controlled. Free Trade can, therefore, become the back door method by which many in the business community, and the present federal government, are able to pursue an agenda of cutbacks in social programs that they have been unable to achieve by more open front door approaches.

It is also apparent that the U.S. and Canada have not reached agreement on whether our health and social service programs constitute an "unfair subsidy." However, given the demand for a competitive environment and a "level playing field," it is critical that we compare our present health and social service programs with those of the United States.

With respect to Unemployment Insurance in Canada, over 85% of our workers are covered by the program, compared to 52% in the United States. Benefits in Canada average 60% of previous wages and last for up to 52 weeks. In the U.S.

the average benefit is 37% of previous wages and generally only lasts for 26 weeks. As well, coverage for seasonal workers, for sickness and for maternity leave is taken for granted in Canada. These forms of coverage are non-existent in the U.S.

While public health insurance is available throughout Canada, the U.S. Medicare plan is very selective, serving only those over 65 years of age and the handicapped. In all, 35 million Americans are without any form of health insurance. It is now common in emergency wards in U.S. hospitals to see a large sign reading, "We accept Visa and MasterCard."

A universal pension is available in Canada through the Canada and Quebec Pension Plans, Old Age Security and Guaranteed Income Supplements. The U.S. does not have a contributory insurance plan comparable to Canada, and only 50% of the U.S. workforce are part of a private retirement insurance plan.

There is no U.S. program similar to universal family allowance or the child tax credits presently available to Canadians. In addition, programs that support low income families are severely means-tested and vary considerably from state to state. In Alabama, a family of four receives assistance of $147 a month and a handful of food stamps. As well, only one third of poor American families actually receive any form of public assistance.

These are clearly fundamental differences between the United States and Canada with respect to human services. While our system still has many shortcomings, and we must not be satisfied with the status quo, we should not be prepared to 'adjust' our existing human services in order that we can become more 'competitive.' The human service sector has already undergone considerable pressure, as a result of funding cutbacks and efforts to privatize services. We can, therefore, ill afford the potentially damaging repercussions of the Free Trade Agreement.

As a recent brief from the Ontario Public Service Employees Union commented:

"Canadians do not want a society in which the market place and the dollar sign are supreme, in which the overriding criterion for government policy is whether it increases or decreases business profits. We do not want a society in which the government promotes the unequal distribution of income, takes from the poor to give to the rich, while for the rest it strives to confine itself to the "leanest and meanest" minimum. We want a society from which no one is left out. We will not get it with free trade."

Peter Faid is the Executive Director of the Edmonton Social Planning Council.

A FREE TRADING WESTERN CANADA

Gordon Laxer

Historically, western Canadian farmers have been vigorous advocates of free trade — and for good reason. They bought higher-priced, protected goods from eastern Canada, while relying on unprotected diversification in the west. It was unfair. Protection for special eastern interests became one of western Canada's main grievances within Confederation. Support for free trade became synonymous with western Canada's political identity. To oppose free trade, especially in Alberta and Saskatchewan, was tantamount to "treason" or being beholden to eastern interests.

The views of western farmers suffused through western Canada and are, in large part, responsible for the West's present unreflective support for the Free Trade Agreement. It is an axiom that it is good for the west.

But is free trade with the U.S. still in the economic interests of western farmers? No. As Carl Beigie, a supporter of the Free Trade Agreement has said "tariffs are no longer a factor." By 1987, 65% of U.S. industrial exports will enter Canada duty free, and a further 25% will enter with a tariff level of 5% or less. As well, Canada has had a form of sectoral free trade in agricultural implements for a long time. Thus, by the late 1980s, farmers will be paying hardly any extra for imported purchases. This *without* the Free Trade Agreement.

The Export Prospects

What are the prospects of additional agricultural exports to the U.S. under the Free Trade Agreement? Will there be increased U.S. agricultural exports to western Canada? Prospects for large gains in farm exports under the Agreement are not good in most commodities. Canada and the United States have essentially similar agricultural economies. Except for vegetables and citrus fruits, the two countries are strong in the same export products (e.g. grains), and export them, and weak in the same areas, and protect them (e.g. dairy products and low quality beef). In Canada's supply managed products, especially poultry and eggs, Canada is at a cost disadvantage vis-a-vis the United States and could suffer if supply management is removed as part of the Agreement. Any move to freer trade between the two countries is likely to lead to increased trade. But the advantages are not likely to be one-sided.

Western Canadian farmers have an obvious interest in real free trade - on a multilateral basis - rather than in the pseudo-free trade of the Agreement with the U.S., which is really a retreat into fortress North America. Most western Canadian farm exports go to third countries and the inviting prospects continue to lie with exports to countries other than the U.S.

It is ironic that western Canada is already less dependent on exports to the United States than is central Canada. Only 61% of our exports are destined for the United States, compared with 76% for Canada as a whole. In fact, the fastest growing region for western Canadian exports is the Pacific Rim, excluding Japan. Between 1980 and 1984, exports from western Canada to the Pacific Rim increased by 65%, compared to a 32% increase in exports to the United States. A justifiable fear is that the Free Trade Agreement will inhibit the expansion of multilateral trade. As Japan's Trade Minister commented in 1985: "The lowering of trade barriers - whether on a bilateral basis or on a multilateral basis - has benefits, but when it is on a bilateral basis there is a need to assure that it is not bringing benefits to insiders at the expense of outsiders."

Subsidies and Threats to Diversification

Western Canada has traditions that involve much more government intervention than the U.S. and these may be viewed as government subsidies or unfair trade advantages by the Americans. For example, the issue of crown ownership of B.C.'s forests and low stumpage rates have been viewed by lumbermen in the Pacific Northwest as a government subsidy. American authorities tend to view publicly-owned companies or government economic activity as export subsidies. The Americans have raised the issue of cheaper energy with respect to aluminum smelting in Quebec, claiming that these are a government export subsidy. They could make the same claim regarding cheaper hydro rates for Canadian pulp and paper production.

Alberta's crown rights to oil and gas could also be seen as a government subsidy, especially where there was special support for non-conventional oil, for example if Alberta's royalty and tax structure was lower than that in the United States.

Western Canadians have long sought to diversify their economy away from reliance on a single, staple export. The philosophy has been to move jobs to people, as opposed to the market-oriented U.S. approach of moving people to jobs or, in other words, rural depopulation. Regional incentives to business, transportation subsidies and crown corporations in certain sectors (e.g. potash in Saskatchewan), are among the diversification tools used by western provincial governments. If the Free Trade Agreement involves harmonizing policies with the U.S., it means adopting the American "market" way of hinterland depopulation. This could threaten western Canadian diversification strategies.

It is difficult, as well, to determine where distinctive national policies end and "non-tariff barriers" begin. What could be considered non-tariff barriers under the Agreement? These are matters for negotiation, but we cannot place much faith in the Mulroney government's ability to define Canada's national interest. They seem to define it in the same terms as does the U.S. State Department.

Our Vulnerable Economy

As a resource based economy with high levels of foreign ownership, western Canada is highly vulnerable to decisions taken outside the region. Consequently, many provincial governments have attempted to reduce this reliance by maximizing their control over the development of their economy. The Free Trade Agreement will significantly undercut these powers in a number of key areas. There will be no review of foreign take overs of companies with less than $150 million in assets, even if a western provincial government becomes concerned that such a take over would not be beneficial. Provincial governments will not be able to require that U.S. multinational companies be good corporate citizens by buying locally and undertaking research and development in the west. As well, with the exception of log exports, provincial governments will be unable to require that raw materials be processed in their province.

The Free Trade Agreement will also threaten manufacturing and services employment in Western Canada. There are more than 70 000 western jobs in highly sensitive industries, such as textiles and clothing, metal and machine fabricating, printing and publishing, and furniture manufacturing. These jobs, with the loss of a protected domestic market, will all be threatened by U.S. imports once the Agreement is in place. As well, three out of every four jobs in the west are in the service sector — the sector where 80% of new jobs are created and 83% of all working women are employed. The Free Trade Agreement will open up the service sector to U.S. competition in areas such as management services, advertising, communications, computer services, data processing, consulting and financial services. As a result, existing jobs will be threatened and potentially new jobs will not be created.

The Trade Agreement, despite its intentions, fails to give western Canadian export industries secure access to the U.S. market. At the same time it offers unwarranted concessions to American demands. The Free Trade Agreement will mean lost markets, as the food processing industry loses tariff protection and the two-price system for grain is eliminated, with the loss of $200 million a year to prairie farmers. The Agreement will also harm our efforts to increase exports to the expanding markets in the Pacific Rim, and undermine policies which are intended to diversify our resource economy. In the final analysis, the Free Trade Agreement will leave the west much more vulnerable to economic forces over which it has little control. At the same time, it will take from us the economic tools we need to build a more stable and diversified western economy.

Gordon Laxer is an Associate Professor in the Department of Sociology at the University of Alberta. He is presently on study leave in Ontario.

FREE TRADE AND ENERGY
Marjorie Bowker

In recent weeks a detailed examination of the Canada/U.S. Free Trade Agreement by Marjorie Bowker has attracted considerable attention. The clear, crisp style of Bowker's analysis has heartened those who are anxious about the Free Trade Agreement and, at the same time, stung those such as John Crosbie, whose task it is to sell the Canadian public on the Canada/U.S. deal.

Despite the government's $24 million publicity campaign to promote acceptance of the Free Trade Agreement, there is growing concern about the likely impact on job creation, social services, industrial development, agriculture and the sale of natural resources. From an Alberta perspective the impact of the Free Trade Agreement upon oil and gas exports will be particularly critical. The following extract from Marjorie Bowker's study examines the fine print of the Agreement with respect to Alberta's oil and gas exports. The evidence she presents must be carefully weighed by all Albertans.

What Does It All Mean?

The message from politicians is that the opening of U.S. markets to imports of oil and gas from Canada will lead to economic growth and prosperity — that industry will expand and jobs will be created. Only close scrutiny of the Agreement itself can determine is such claims are true. Though the energy provisions of the Free Trade Agreement apply equally to both countries, Canadians will be interested in the impact on Canada. This will be examined under the various headings which follow.

Restrictions

It is clear from the text of the Agreement that sales of Alberta oil and gas to the United States will be subject to the following restrictions:

1. There will be no "tax, duty or charge" on exports to the U.S. which do not also apply to Candian consumers (Article 903).
2. There will be no "restrictions" imposed on exports to the U.S. unless:
a. Canada makes available to the U.S. a fixed proportion of its total energy supply (Article 904[a]),
b. the price at which Canada sells to the U.S. will be no higher than that charged to Canadian consumers (Article 904[b]),
c. there is no disruption to normal channels of supply (Article 904[c]).
Note: the term "restrictions" (above) includes quotas, licenses, permits and minimum price requirements (Article 908).

A procedure is provided for consultation where one country alleges that regulatory actions of the other results in discrimination (Article 905). Article 906 permits "incentives" for oil and gas exploration and development in order to maintain reserves. However, the lack of any definition of the word "incentives" opens the way to potential differences in interpretation. Article 907 says that the only justification for Alberta (for example)

restricting oil and gas exports to the U.S. would be:
- to fulfill a critical defence contract,
- armed conflict involving Canada,
- nuclear threat.

The Effect on Supplies

Article 904(a) is the key provision relating to energy supplies. Under it, the U.S. is entitled to a fixed proportion of Canada's "total supply" of "energy goods." The term "total supply" is defined in Article 909, as "shipments" to domestic and foreign users from domestic production, domestic inventory and other imports as appropriate: This is a sweeping coverage of our energy resources, from whatever source.

Under the Free Trade Agreement there can be no reduction in the proportion of Canadian supply of oil and gas going to the U.S. If we run short, the U.S. will still get a proportion of whatever is left. We must still share our short supply with the U.S., however small that supply may be.

In the past, Alberta has always controlled whether its oil and gas went to domestic or foreign markets. These products (like so many others) were assumed to be a *national* resource first, and an export commodity second. Until 1987, the National Energy Board required that Canada have a 25-year reserve of gas before exports could occur. This was reduced to 15 years in 1987 and has since been eliminated altogether. The effect of the Free Trade Agreement will be to limit the ability of the National Energy Board to control exports in the future, as well as to assure adequate energy supplies to Canadians. In times of shortages, supplies to Canadian customers will be cut in the same proportion as any reduction in exports to the U.S. It may come as a surprise to Canadians, but while the U.S. has preferred rights to our oil and gas, there is no obligation under the Free Trade Agreement for the U.S. to buy from Canada if it can get supplies cheaper from elsewhere. This means that Canada's access to American markets will depend on our keeping the price equal to, or less than, that of either U.S. or world producers.

One thing we know, however, is that the U.S. is glad to get all the Canadian oil and gas that it can. It is cheaper than what they can produce themselves, since American producers pay far higher state and federal royalties than their Canadian counterparts, and they do not have the same lucrative incentives for exploration and development. However, for Canada it means we have to abandon our dream for national energy self-sufficiency, because the Free Trade Agreement commits us to share our oil and gas with the U.S. even as our reserves run dry. When an energy crisis (predicted for as early as the mid-1990s) comes, Canada must still maintain the same proportionate levels of supply to the U.S.

Many people are asking if this is not an erosion of provincial resource control. Premier Don Getty is satisfied with Mr. Mulroney's assurance that it is not. However, if a conflict arises - even in a decade from now - it will not be the assurance of a politician, but the wording of the Agreement that will prevail. The wording of Article 904(a) is clear.

Under the Free Trade Agreement there can be no reduction in the proportion of Canadian supply of oil and gas going to the U.S. If we run short, the U.S. will still get a proportion of whatever is left. We must still share our short supply with the U.S., however small that supply may be.

Effect on Prices

The price we charge the U.S. for our oil and gas cannot be higher than the price charged to Canadian consumers (Article 904[b]). Differential pricing ends under the Free Trade Agreement. In other words, we cannot show preference to our own citizens, even with our own resource.

The export price on our oil and gas will be determined as follows:

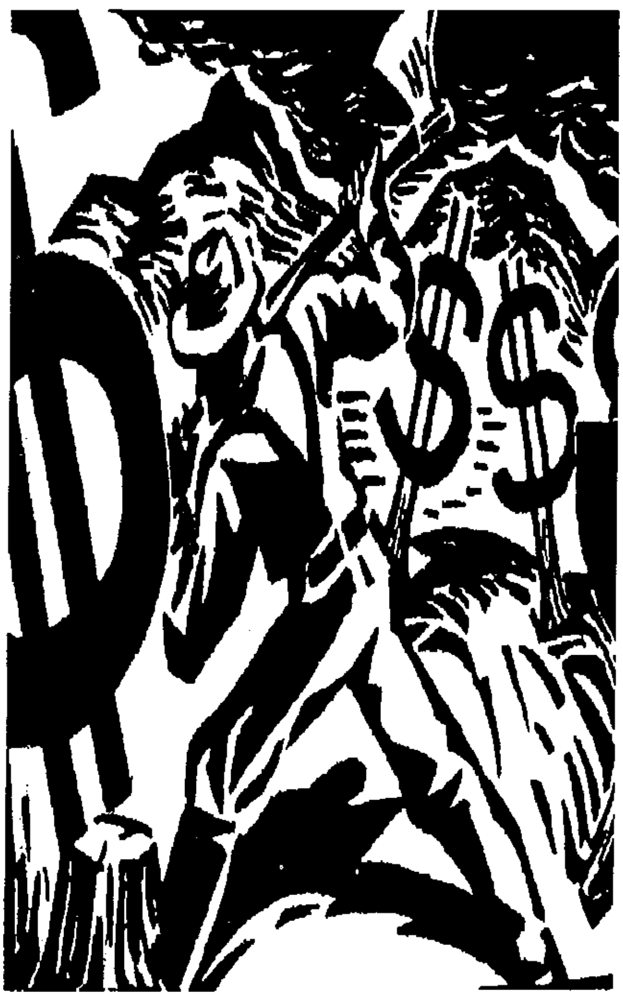
Oil - the price of oil will be fixed by OPEC, a cartel of 13 countries. Only if the cartel were to agree to limit production would the price of oil rise. At their mid-June 1988 meeting in Vienna, they once again failed to reach agreement on production limits. This means that oil prices, such as Canada will be charging the U.S., will remain low. As of late June 1988 oil was trading well below $17 U.S. a barrel).

By early July it had dropped to just over U.S. $15 per barrel.

Natural Gas - the price of natural gas will be the "continental price," which really means the U.S. market price (i.e. what the U.S. is prepared to pay and where it can buy its supplies cheapest).

The Free Trade Agreement makes no mention of minimum price. No matter how low prices fall, Canada has no option but to sell the required proportion to the U.S. at that price. Also, Canada will not be able to take advantage of higher market prices on energy sales to the U.S. without charging Canadian consumers the same high price. Our domestic prices must match export prices. There will be no more "made in Canada" pricing.

We will have lost our control over price, just as we will lose control over supplies.



Effect on the Petro-Chemical Industry

The U.S., under the Free Trade Agreement, is assured of obtaining Alberta oil and gas at the same price in the U.S. as they would have to pay for it in Canada. Hence it is only logical, and to their advantage, to move their refineries and petro-chemical industries out of Alberta (most are already owned by U.S. multi-nationals anyway), and re-locate in the U.S. where they will be nearer to major markets. (It is more cost effective to locate such industries closer to consumers than to raw material supplies.) With the departure of these industries from Alberta will go many jobs presently held by Canadians.

Effect on Future Oil Development

In the immediate future, the oil and gas which Alberta exports to the U.S. will continue to come from easily accessible sources (i.e. "conventional oil") which, compared to other sources, is relatively inexpensive to extract. We do not know how long these supplies will last. One writer has said that the total of Canada's reserves would satisfy less than a year of American consumption. Suffice it to say, U.S. consumption of oil is horrendous -- by far the heaviest of any country in the world. What Canada supplies makes up only 4.7% of U.S. annual consumption.

When our reserves of cheaper conventional oil are exhausted, Canada will have to depend on the development of huge and costly synthetic plants, of which Syncrude is an example. These are so costly that even though similar projects are frequently projected, they rarely go ahead.

In summary, the effect of the Free Trade Agreement on Alberta's future oil development is this: as we continue to use up our cheaper conventional oil (having shared it with the U.S.), our supplies will be exhausted, with Canadians having benefited less because of the mandatory sharing. At that point, money will have to be found from somewhere to replace that supply - even for Canadians - by costly mega-projects.

The Continuing Risk of Countervailing Duties

Countervailing duties are not eliminated by the Free Trade Agreement. It is quite possible that the U.S. government (acting under pressure to protect its own oil industry) could claim that Canadian oil producers enjoy "unfair subsidies" (government grants, reduced royalties, low-interest loans, tax rebates) which are not available to producers in the U.S. Because of this, they could insist that the American government impose a countervailing duty on Canadian oil to bring the price of Canadian imports to the level which U.S. producers (without the benefit of such subsidies) must charge for their oil. Such duties would add to the price of oil and gas entering the U.S., and possibly make it less competitive with other sources available to them.

The only response for Alberta would be to discontinue these subsidies - which would force smaller oil producers out of business - or raise the export price to what the U.S. considered equivalent in value to these subsidies.

Losing the Ontario Gas Market

Alberta may increase its exports to the U.S. market, at the cost of losing the natural gas market of Ontario — Canada's largest consumer. The reason for this loss is that Alberta's policy is to charge Ontario a higher price, under a longer-term supply contract, which (Alberta says) assures Ontario greater security of supply. The reason for the higher prices charged by Alberta producers is provincial royalty charges, which the government is not inclined to reduce. Ontario, on the other hand, prefers to buy cheaper gas, even on a short-term basis. In fact, Union Gas of Ontario is now preparing to build a one-million dollar pipeline (0.7 km in length) between Windsor and Detroit to bring cheaper U.S. gas into Ontario. By November 1988 it is expected that U.S. gas exports to Ontario will reach 500 million cubic feet a day. Construction of the pipeline was approved by the National Energy Board on June 28. More recent news indicates that two Ontario cities (Sarnia and Chatham) have switched to purchasing natural gas from Saskatchewan at 20% below the Alberta price. This switch breaks a monopoly Alberta has enjoyed since the 1950s.

Only an economist could say whether the loss of this large Ontario market for Alberta natural gas will be compensated by exports to the U.S. which Canada is committed to make under the Free Trade Agreement.

Conclusion

To the U.S., the Free Trade Agreement will provide secure access to Canadian oil and gas at a price no higher than that paid by Canadians (it could even be lower). The U.S. will also be under no obligation to buy from Canada if cheaper supplies are available elsewhere. The U.S. will also be assured of a proportionate share of Canadian oil and gas, even in times when Canadian consumers are faced with shortages.

President Reagan, addressing an International Gas Conference in Washington D.C. on July 6, 1988, heralded the Free Trade Agreement "as a means of enhancing the energy security of America." Canadians may well ask if it does the same for them.

What the deal offers Canada is that we do get access to the U.S. market, which is willing to take all the oil and gas which Canada can supply -- provided it cannot get it cheaper elsewhere. As well, it is apparent that petro-chemical industries (largely American-owned) believe that reduced tariffs will boost sales of their products to the U.S., and that this will spur industrial growth in Canada.

The test for Canadians will be to weigh the relative merits of the energy provisions of the Free Trade Agreement, in respect to our two countries, and to assess the price that we as Canadians will be expected to pay.

Marjorie Bowker is a graduate in law from the University of Alberta. She served for 17 years as a Judge of the Provincial Court of Alberta.
The entire text of Mrs. Bowker's examination of the Free Trade Agreement is available in the Edmonton Social Planning Council Resource Centre.

COUNCIL NEWS

NEW PUBLICATION

Doing it Right! A Needs Assessment Workbook

If you have ever tried to find material on needs assessments, you know that most information is academic and technical, not practical. Well, not anymore!

The Edmonton Social Planning Council, in co-operation with the United Way of Edmonton and Area, has prepared a practical, user-friendly workbook on conducting needs assessments.

Designed to help you understand how an assessment can benefit your agency or group, the workbook supplies important questions that should be asked, as well as five worksheets to help you work through designing and carrying out a needs assessment.

40 pp. $9.95. **Available in early November.** Contact the Edmonton Social Planning Council at 423-2031 for further information.

UPCOMING EVENTS

Community Development Film Series

"VTR Rosedale" October 20th at 7 pm

Once referred to as "the rear end of Alberta," Rosedale pulled itself together as a community. It formed a citizens action committee, cleaned up the town, built a park and negotiated with the government to install gas, water and sewage systems. And it all happened within five months.

"The Battle of Beech Hall" November 17th at 7 pm

The "Battle of Beech Hall" chronicles how the senior residents of Beech Hall, assisted by local advocacy groups, waged a successful campaign to save their community and preserve their self respect and independence.

These films and discussion will be held at:
Grant MacEwan Community College
Cromdale Campus
Room 104, 8020 - 118 Avenue
Edmonton, Alberta

FIRST READING is published six times per year by the Edmonton Social Planning Council.
If you would like to receive the publication on a regular basis write to FIRST READING, *#41, 9912-106 Street, Edmonton, Alberta T5K 1C5, or telephone 403/423-2031.*
Opinions expressed are those of the authors and do not necessarily reflect the views of the Edmonton Social Planning Council.
The editor of FIRST READING is Joseph Miller.
The Financial assistance of the United Way is gratefully acknowledged.
ISSN 0824-197X **Second Class Mail Registration Number 6390** i.d. 10/88