

January 1990

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Discussion

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### Recommended Citation

Discussion, *Discussion after the Speeches of Colleen S. Morton and Meriel V.M. Bradford*, 16 Can.-U.S. L.J. 113 (1990)

Available at: <https://scholarlycommons.law.case.edu/cuslj/vol16/iss/15>

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## Discussion After the Speeches of Colleen S. Morton and Meriel V.M. Bradford

QUESTION, *Professor King*: Why are blue-collar people not covered under the Free Trade Agreement in terms of freedom of action and mobility?

ANSWER, *Ms. Morton*: Labor unions.

COMMENT, *Ms. Bradford*: The Canadian negotiating position was, "Why don't we go for a free labor market?" That is to say, all the categories would be free to move within this general area of the United States and Canada.

There was strong resistance from the United States to any element covering immigration issues. This had to be included in the agreement, so we insisted on it, because we knew that to have real benefits from a service job, employers must be able to move the people.

We focused on the practical and political aspects of the high-skilled end. Labor unions would not allow labor mobility. There still is a very strong protectionist view within the labor unions. I think that this view will grow with the discussions on the Mexico-U.S. Free Trade Area.

COMMENT, *Ms. Morton*: The labor unions on both sides of the border were the reason that blue-collar workers were not included in the FTA. The labor unions will continue to fight any liberalization for blue-collar workers. There was a bill introduced in Congress to open up labor between Canada and the United States, particularly in the semi-professional area. Professionals would like to view these categories of skilled workers on a job specific basis. That will be our next objective.

There is also the proposal that Mexico has put before the Uruguay Round to allow Mexican workers to come into the United States on a job specific basis. I think that is how we will address these region-specific jobs, specific sectors and specific manners, but I do not think it will happen overnight.

QUESTION, *Mr. Drotning*: Are you saying that American unions do not want the Canadian workers to have access to the United States? By the same token, are Canadian unions saying they do not want American workers coming in? This is interesting given the shortage of population and work force. What are the reasons that the union executives offer for these views?

What are their reasons for saying, for example, that a Canadian worker cannot come into the United States to operate when he may very well become part of the union in the United States?

ANSWER, *Ms. Morton*: There are really two reasons, maybe three, if you include Mexico in the equation.

The most important factor is that importing too much labor, from the point of view of unions, drives down the cost of labor which drives down wages. The larger the wage pool, the lower the wage.

The second reason concerns bringing in skilled laborers. Here unions tend to argue, "Well, you have a perfectly willing work force here in the United States, but you do not want to spend any money and expend the resources to train them. So, it is your own fault if you cannot find skilled workers, not ours." Therefore, you should not be allowed to find your skilled workers somewhere else. You should be forced to put the money in here at home and build up the human resource level of the human capital.

That argument is a job transplant type of argument. By importing skilled labor, you are moving jobs offshore in order to take advantage of other people's skills at home, and you are not bringing the skills up to the proper level.

As far as Mexico is concerned, it is simply a question of job availability. Mexicans will come in and take whatever jobs are available. The range is growing of the variety of jobs that Mexicans can fill. They used to be able to do only very unskilled labor. They did not have the language skills or the training, but the range is growing, and they are taking more sophisticated jobs. They are coming from the Mocoladora plants where they are trained and highly skilled. So, there is a great deal of paranoia about the huge, very low paid Mexican work force.

COMMENT, *Ms. Bradford*: I do not want to engage in a labor bashing session. I recently saw a *Financial Post* article that was part of a series on trade issues. It addressed Canadian labor and its need to shift its focus. Essentially, the article said that if unions are to provide a better deal for Canadian workers, they must provide benefits by switching from negotiators to information managers.

Instead of calculating this year's consumer price index or wage settlements above inflation, the international commercial experts are assessing how Canadian industry will be affected by changing factors in other countries, including skills, creating new capital, investment and political resistance. There is no reason for labor not to know as much as management before its negotiations in Europe 1992, and how new rules in Korea, Mexico, Japan and other countries stimulate Canadian production and exports.

With this information they can accurately determine which domestic industrial sectors will demand fewer workers, as well as which sectors will demand more employees and what kind of jobs those workers can do specifically. And they can determine where flexibility is needed.

A radical approach would be to allow unions to manage job-training centers. You heard about CICAs. Similar to other educational institutions, unions will negotiate better wages, fringe benefits and work place

retraining for jobs they have identified as promising higher levels of Canadian exports.

**COMMENT, Mr. Langmack:** As a member of the Institute of Certified Public Accountants, I would like to inform you that we are actively working with the chartered accountants in Canada to come up with some recipe to bring the educational requirement and chartered accounts in line with the U.S. requirements regarding certified public accountants.

There are various state-level impediments in this country because each state seems to have its own feeling as to what is required to become a certified public accountant. The chartered accountants in Canada appear to be extremely cooperative in trying to get around this situation so that they can, from the bottom up, arrive at consistent regulation of certified public accountants and chartered accountants.

**QUESTION, Professor King:** We are now negotiating the General Agreement on Tariffs and Trade ("GATT") in the service sector. Is what has been done in the Canada-U.S. area a precedent for what might happen, if anything, in the GATT area?

**ANSWER, Ms. Morton:** As I mentioned briefly in my talk, I think that the Free Trade Agreement ("FTA") has been a very important precedent for the GATT Round concerning services negotiations. The FTA helped to define the issues and the universe setting the agenda. I think that the service negotiations in Geneva have been proceeding along that route as much as the industrialized countries. Of course, the difference is that you are negotiating with ninety-seven different parties in the Uruguay Round as opposed to two in the FTA. You also have a large number of developing countries involved in the negotiations, and they have a very different perspective.

I think the main problem facing negotiators, at this point, is the huge gap that still exists between the perceptions of the developing countries and the developed countries. The European Community ("EC") and the United States have come up with a joint agreement. There is very little disagreement among the developed countries on the direction of a services agreement. However, there is disagreement about which subsector should be included and about what dispute settlement mechanisms should be available.

There are issues that we can work out, but the developing countries still do not think that services should be negotiated. They also do not believe that they should be required to commit to liberalizing what the industrialized countries are now proposing.

Essentially, the developing countries should be exempt from most of the requirements of any such agreement. Immigration is going to be a key question there. While we all want it on the table, the United States does not even want to talk about it. Neither do most of the rest of the developed countries.

We may be forced to give up very significant concessions on agricul-

ture, textiles, tariffs, or some of the other non-service sectors in order to get the developing countries to even-up the services agreement.

COMMENT, *Ms. Bradford*: I think that unless the developed countries can make some concessions in areas that are not in the service sectors—tariffs, but more particularly multinational agreements—why should they join our service side? It is the developed countries who want it, particularly the United States. However, not all of the U.S. service sector wants this agreement.

The shipping industry in the United States fought to keep out of the FTA, and that is why there is no transportation provision in the FTA. Services are going to be a part of the Uruguay Round. We should prevent the regulation from advancing effects that are economically unsound. GATT is one way to bring some multi-disciplinary results for the national order into a very important part of our national economy.

I would like to see GATT have a services agreement, but the developed countries must think about the cross-over trade offer that is going to take place outside the services chapter.

QUESTION, *Professor King*: Ms. Morton, concerning the problem of services and the problem of people who are in professions, you mentioned that architects and some other groups have not made very much progress. You also mentioned that only some governmental pressure might move it along. Do we need this pressure in that direction to get these different groups to agree on standards?

ANSWER, *Ms. Morton*: Knowing the way the U.S. government works, I would not predict that it would do anything unless pushed. The Canadian government might, if they felt it was in the public interest. Canada has a bit more flexibility than America has in that regard, although I would not predict that it would come first from the government.

I think the private sector will begin to say, "Well, how are we supposed to carry on business if we cannot find people who know both Canadian and U.S. law?" You cannot find someone who knows how to do accounting in both Canada and the United States to practice in both places. How can we rationalize our operations? I think there are some corporations which are already running into this problem. However, now that they have an arena for bringing these problems to their governments, they will take the opportunity to do so.

From the statistics I have seen and the activity over the last year, I believe that within the United States and Canada, the services sectors have been caught up in developments within our own countries. The financial services sector in both countries has had a lot on their plates with re-regulation and deregulation in Canada, and the thrift and stock market crisis in the United States.

Thus, I do not think that service sector businesses have really focused on this. The manufacturing sector may begin to focus on it first. In

fact, having access to professionals who can operate equally effectively on both sides of the border is a benefit they will not have, if they are not licensed or certified.

The specialties, including nursing, are a concern since the medical profession and many state hospitals are actually government hospitals. The nursing shortage particularly afflicts those state-run hospitals, therefore, the states have a direct incentive to encourage immigration by foreign nurses. That is why you saw action there, but I do not believe that this would happen anywhere else.

COMMENT, *Ms. Bradford*: Regulated professions are monopolies. We all know that monopolies keep prices as high as possible to keep out new entrants. There is little incentive to allow for new entrants, and there certainly is little incentive to drive down prices.

I agree with Ms. Morton that, unless there is a strong push from either government or business as users of these services, we will not see a profession-led applicant. That is, professions will be led only if government and business say they need these things to happen.

I worked with an architect whose favorite comment was, "We need more money to study this." We needed more money to study this in 1985 and in 1986. I suspect that external affairs is being told roughly the same thing. We have studied these things to death. What we need now is some action.

Unless business asks for it, and government continues to push for and pursue it (to overcome the initial monopoly and the issue in the states of provincial regulators), the Europeans may overtake us.

