

In this environment, Canadian firms are being pushed, and pushed hard, to be creative in technology and management practices in order to compete internationally.

Canadian labour is responding to these innovations. Our work stoppages are down. Productivity has increased. And major labour relations issues are being addressed in a positive manner. Innovation in the form of new machinery and methods is being accepted by Canadian labour and management as essential for the growth of productivity.

Canadian productivity is more than keeping pace with other industrialized countries. Since 1983 productivity has increased at a greater rate in Canada than in the USA and a number of European countries (UK, West Germany, France, Italy).

Our economic policies are having a sizeable impact; for example, in the first quarter of 1986 Canada recorded a net inflow of \$1.1 billion worth of foreign direct investment which is a record for my country during a single quarter.

Furthermore, the OECD reported in August that Canada's output growth over the past 18 months had been highest in the OECD countries, exceeding even the predictions of optimistic forecasters.

Canada and Japan share concern about the growth of protectionism worldwide and the U.S. market in particular. Barriers to trade are, quite simply, barriers to business.

Canada wants a better, more certain trading arrangement with the United States. We believe that the largest trading relationship in the world warrants special and specific attention. We will persevere to reach a balanced agreement that will secure our access to our largest market and will open new opportunities for Canadian exporters. To be successful, this agreement must be balanced and bring advantages to both sides. I firmly believe this can be achieved.

I am equally confident that a new arrangement with the U.S., one which is fully consistent with GATT, will stimulate an expansion of trade generally and will serve as a catalyst to the new MTN round.

Our bilateral initiative complements our interest in pursuing trade development with all our overseas partners, of which Japan is the most significant. As an example, today I will inaugurate our new Consulate General here in Osaka. This represents a tangible commitment to maintaining a strong presence in your market and expanding our position in the Kansai region.