

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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AS DELIVERED

AN ADDRESS BY

THE HONOURABLE MICHAEL WILSON,

MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY

AND MINISTER FOR INTERNATIONAL TRADE,

TO THE CANADIAN MANUFACTURERS' ASSOCIATION

"CANADIAN MANUFACTURING WEEK" OPENING CEREMONY

**TORONTO, Ontario
October 20, 1992**

Thank you for the warm welcome.

I am pleased to be here at the start of Canadian Manufacturing Week. This is clearly the largest industrial marketplace ever held in Canada, and I am very impressed by the number and mix of exhibitors.

The fact that this event is taking place during Canada's official Export Month shows the critical linkage between manufacturing and exports and the contribution of your industry to the prosperity of our country.

A year ago, I had the pleasure to speak to you and welcome your new president, Steve Van Houten. Given the times and the crucial role of the manufacturing sector in our economy, the challenge for Steve and the Canadian Manufacturers' Association (CMA) was, and remains, considerable. I want to congratulate you, Steve, and the members of your organization, for taking up this challenge and for making a real contribution to the Prosperity Initiative through your active participation in the Prosperity industry consultations and your 1991 plan for eliminating interprovincial trade barriers.

As Steve Van Houten and Peter Green said in the CMA's paper, "The Aggressive Economy: Competing to Win:" "The next ten years will bring about more change in the way business is done than we have seen in the past fifty..."

It is for just such reasons that the Prosperity Initiative was launched, to consult with Canadians and to develop a plan of action for business, labour, governments and other sectors of our society in order to meet the pressing competitive challenges facing Canada. Then and now, the essential component of Canada's ability to face those challenges is the need to build new partnerships that will make competitiveness and prosperity a truly national project.

Over the past year, the Prosperity Steering Group, led by Marie-Josée Drouin and David McCamus, has received hundreds of submissions and heard views from thousands of Canadians involved in the nationwide consultation process. One of the recurring themes in the consultation process was the importance of developing innovative partnerships among all Canadians as a basic prerequisite to improving our competitiveness.

The Steering Group will release its national Action Plan in the next few weeks. I understand that its recommendations will be directed at all sectors of our society. The Plan will provide a blueprint for all of us to work together in the five areas identified as essential to Canada's future well-being:

1. learning and skills upgrading;
2. science, technology, research and development;

3. investment -- to bring new products from the lab to the market;
4. competitiveness at home -- building a strong domestic market in Canada from which to take on the world; and
5. competitiveness abroad -- trading smarter in new and traditional markets.

I fully expect that the Steering Group will recommend bold action from the federal government, among others, and we are fully prepared to take whatever steps are needed to secure prosperity for Canadians. You and I also know that there is little the federal government can do on its own to effectively transform Canada's economic future. Your commitment will be equally essential. I hope that you will all get on board.

Most of you have heard me say before that competitiveness, at home and abroad, is the key to Canada's prosperity in an increasingly interdependent world. As a new global economy grows all around us, the parameters of competitiveness are changing and are demanding the creation of a new economy for Canada. This new economy will have to be based on the development of knowledge-dependent, high value-added production and innovation which rely on high quality human resources.

The keys to winning in the global market place will be good Canadian products and services, hard work, the development of new markets, patience and a willingness to meet customer needs.

The trends that will shape our future are already evident in the global marketplace of today. Regardless of the protectionist pressures, the stepped-up, highly competitive nature of business will continue, and Canadian companies will have to adjust or go under. For most businesses, it is no longer good enough to sit at home and fill export orders. If a company is to grow and survive, it has to become a player established in different parts of the globe.

These trends, combined with the opportunities presented by the Free Trade Agreement and the North American Free Trade Agreement, have clear implications for Canada and our desire to continue as a major player in the international marketplace. Against this background, concepts such as strategic partnering and alliances, joint ventures, co-operative marketing and transfer of technology will have to become important components of both the government's and the private sector's initiatives.

I am quite convinced that, in order to succeed, our companies may at any moment be using one or more of those techniques in their market development strategies. Our small and medium-sized enterprises must be prepared to consider outward investment through acquisition or the formation of joint venture companies; must look for deals offering exchanges of market know-how and

access to investment and technology; and must consider strategic alliances through cross-licensing, co-operative marketing, manufacturing agreements, and Research and Development (R&D).

I would like to mention one example here -- Intelligent Manufacturing Systems (IMS), a new approach to manufacturing in the initial stages of implementation in factories worldwide. IMS now involves the collaboration of Japan, Australia, the European Community, the European Free Trade Association, the United States and Canada. The IMS program grew out of the recognition by member countries that, in the global marketplace of the future, countries and industries can ill afford to develop research-intensive, expensive and potentially competing technologies. Rather, it will be essential to establish strategic alliances and collaborative efforts whose results can be shared. IMS is an exciting project, and I am pleased to note that Steve Van Houten is an active member of the Canadian IMS Steering Committee and that he chairs the Industry Advisory Committee.

In my view, such partnerships will be just as important to Canada as technology is in creating a wedge for greater penetration of foreign markets. I also believe that it is not too dramatic to say that, for Canada and Canadian companies, the question of learning and adopting these techniques is literally one of survival. Since the international competition is already in high gear, it may be fair to say that there is not a great deal of time left for Canadian companies to get moving.

Simply put, international trade is our bread and butter. One in three Canadian jobs -- and our enviable standard of living -- depend on it. The competitiveness of our exporters, and there are many of you here this morning, is a key reason why, in September, the International Monetary Fund predicted that Canada's real gross domestic product would rise over four per cent next year -- faster than that of any other industrialized nation.

A good part of my job as the Minister of International Trade is to help open foreign markets through negotiations. That process begins with negotiating freer trade between nations, and we have been as aggressive as any government in the world in our pursuit of trade liberalization.

Canada and the U.S. entered into a Free Trade Agreement (FTA) while still negotiating the General Agreement on Tariffs and Trade (GATT). While the latter process remains to be completed, there is little doubt that the FTA has already produced benefits.

The FTA keeps the largest trading relationship in the world on track in spite of mounting protectionism and global recession. It helps to localize trade disturbances and is having a positive

effect on Canada's transformation into a more competitive economy by changing our export profile.

In the first three years of the FTA, our exports with the U.S. have increased by 10.7 per cent -- from \$292 billion in 1986-88 to \$323.7 billion in 1989-91. The FTA has also bolstered our leading-edge manufacturing industries. Exports of Canadian end-products to the U.S. have grown by \$4 billion since 1988, with excellent results in the aerospace, industrial machinery, transportation equipment and speciality chemicals sectors.

We are actively taking advantage of the access we have gained through the FTA. In the early part of this year, we were beating records each month in our exports into the U.S. market. In July, we exceeded \$10 billion a month in exports for the first time in our history -- \$10.1 billion worth into the U.S. market.

Now, we are going beyond the FTA with an even more comprehensive trade liberalization initiative, which has captured the attention of all our trading partners: the proposed North American Free Trade Agreement (NAFTA). We have entered those negotiations with confidence and with three key objectives. First, we wanted better access for Canadian goods and services to Mexico -- we got that. Second, we wanted to secure the benefits achieved through the FTA and, at the same time, improve access to the world's richest market -- we succeeded. Finally, we wanted to guarantee Canada's status as a highly desirable location for investors to serve the entire North American market -- that, too, was achieved.

In short, we attained all three of our key goals. By creating an open economic area with 360 million people and a combined gross national product of more than \$7 trillion, we set up the conditions for massive cross-fertilization of creative ideas, energies and abilities. We all stand to become more competitive globally as a result of this deal.

What does it mean for Canada? Canada gets access to the Mexican market, which encompasses 87 million people. It is a young market (the average age of the population is in the low 20s), with a growing and not insignificant middle-income sector of 20 to 25 million people. There are many solid opportunities that will open up in Mexico because of the change in access we have to that market. The NAFTA that we have negotiated provides for an elimination of the requirement for import licences, as well as tariffs. This will put us on a level playing field for full access to that market.

For Canadian businesses seeking to find partners to work with in the competitive globalized marketplace, Mexico holds excellent potential. There is a new dynamism in the Mexican economy, where

the growing spending power of its 85-million consumers presents many opportunities for Canadian exporters of goods and services.

Prior to the Free Trade Agreement, companies were not exploring the opportunities available to them within the Mexican market. Our trade commission in Mexico was not seeing much activity at all. Our Embassy is accommodating increasing numbers of business visitors. There were only 200 in 1988, but there were 2,200 in 1991 and in the first six months of this year, 4,450. This translates into increased business. Our exports are up -- so far this year by 100 per cent over last year. And we are doing our part to encourage companies to participate in business missions to Mexico. Over the next 12 months, we will have 20 business missions.

There is tremendous support from the government for companies that are interested in exploring markets down there. Already, a number of some bellwether sales and new partnerships between Canadian and Mexican businesses have taken place.

This July, a joint venture of the Ottawa-based SHL Systemhouse and a leading Mexican computer systems management company won a breakthrough US\$500-million contract to build and manage a number of systems for Mexico's Finance Ministry, over the coming 10 years. In August, SNC-Lavalin International was awarded a \$20-million contract to modernize Mexico's geomatic information systems. An example of the new partnerships, this system will involve a unique digital mapping system developed by Energy, Mines and Resources Canada. Last month, the Bank of Nova Scotia announced that it was reinforcing its presence in the Mexican market by being one of the first international banks to enter an equity partnership with a local institution.

The government is confident that NAFTA is a good deal for Canada: good for our prosperity and good in helping to secure the type of caring society that all Canadians value and expect.

The government, however, can only negotiate treaties and assist with business development and trade promotion. It is up to individual businesses to take the initiative to export and to enter into strategic alliances that result in innovative trade development. Yet, of the 40,000 Canadian firms involved in manufacturing, only one third export -- even after the FTA has secured the biggest two-way trading relationship in world history. And the top 100 companies account for fully 50 per cent of all exports. Clearly, more companies need to get involved.

At the same time, I note with some interest that there are over 600,000 active corporations in Canada and over 1.6 million Goods and Services Tax (GST) business registrants. To me, these numbers suggest a lot of potential entrepreneurship for innovation and exports. Effectively applied, this

entrepreneurship could make an enormous contribution to Canadian competitiveness. The ExportVision program, launched as part of Export Month, focuses on turning this potential into real sales. I think everybody in this room knows that the competition is brutal. It is tough, but we can and we must reach out to export markets because it is the export sector that is leading us toward what we hope is a sustained recovery.

As you all know, in the last year, the business climate in Canada has improved, with labour productivity on the increase and lower interest and inflation rates. This was a good sign for Canadians and for our trading and investment partners around the world.

Yet, as next week's constitutional referendum approaches, both Canadians and our partners around the globe are concerned about the future -- a future that will be defined, in part, by the route we choose as a nation to take on October 26. The question is whether we will step forward and put the past constitutional gridlock behind us.

You know, Canadians have been searching since the Rowell-Sirois Commission in 1940 for ways to improve our Constitution -- ways to modernize it and make it reflect the realities of 20th-century Canada. We have made no less than five previous attempts to accomplish this, in 1950, 1964, 1971, 1982, and 1987 to 1990 with Meech Lake, each of which ended in failure, rancour and division. This will be the sixth effort. The question facing Canadians is whether they want to take a step into the a future of certain constitutional evolution or will we take a leap into an uncertain, possibly less prosperous future and vote "no?"

I do not think it will surprise you when I tell you that I am going to vote "yes" in the referendum -- I have my "yes" button here. I am doing so because I think it is a very good agreement.

It covers that range of problems people had with the existing constitution -- including those that led Quebec not to sign the constitutional agreement in 1982.

It addresses concerns that people have about the permanency of some of our social programs, some of the transfers from the federal government to the provincial governments. It addresses the aspirations of Aboriginal peoples to gaining a greater degree of control over their livelihood through the provisions for Native self-government. Finally, it looks at the powers between the federal government and the provincial governments and provides for the transfer of some of these powers in forestry, in mining, in particular, so that the policies of the provincial governments can be more sensitive to local needs.

There are also provisions for the removal of interprovincial trade barriers, which are a drag on our economy. While we did

not get as full a commitment as some of us would have liked, there is a very strong statement -- a principle in support of the removal of these barriers and a process for them to be addressed at the First Ministers conference after the agreement is legislated.

The accord is based on a historic compromise -- one that we have not seen in this country for many, many years, if not in our history. You have the Prime Minister and 10 premiers representing four Liberal, four Conservative and three NDP governments. All three federal parties and their leaders and five Aboriginal leaders are supporting it, along with organized labour. That sort of coming together is unique in our history. And that is why I say the agreement is an extremely good agreement, one that I think is very, very important to the ongoing interests of people in this country and to the political stability of Canada.

But we still have a substantial portion of the population who either have decided to vote "no" or are uncertain about how they are going to vote. This is a big step, and it is one worthy of serious consideration.

As you consider your response to this question, I ask you to reflect on some of our achievements over the 125 years of Canada's existence. Our population is the 31st largest, yet we have built the eighth largest economy in the world, making Canada a tremendous economic success story. We have developed a social system that we all enjoy and take advantage of here, which is the envy of the world. We have the best health-care system of any country in the world.

Our role in the United Nations and other international institutions is one of leadership. We have been and are known throughout the world as one of the best participants in UN peacekeeping since Lester Pearson launched a new approach to peacekeeping in 1956. We have also developed a reputation as tolerant, peaceful people -- people who are highly respected throughout the world.

I see this time and time again with the trade missions that I have been leading to different countries of the world. Canadian business groups who participate are made up of people that other countries have confidence in, and this stands us in very good stead as we trade internationally. We are facing a major decision on October 26, which will have an important impact on our future as a nation and our role in the world.

Some would reject the Charlottetown accord. I disagree with them. I think we have got a good agreement here, and I encourage all of you read it with a view to seeing how well it preserves the best of our past while allowing Canada to evolve into an even

better future. I urge you all to gain a clear understanding of the decision facing Canada on October 26. What is more, I urge you to consider helping Canada to move forward, leaving the gridlock of the past 50 years behind and allowing Canada to evolve in ways that meet the needs of our people, now and in the future.

But let us say it is rejected. What do we do then? I cannot tell you what is going to happen then because we will be into a very uncertain situation -- a period of uncertainty that we would not have faced for many, many years.

That uncertainly would not be good for our economy, which you know is currently in a period of very slow growth after a major recession. I say that is an important risk to consider. The financial markets have indicated where they stand on the issue; it has resulted in a two and a half -- nearly three -- percentage point increase in interest rates from the lows of the end of the summer. That is the key thing that I think we should be keeping in mind here. If we are facing all this uncertainty, is it worth the risk? I do not think it is.

Some people say that if we rejected this deal, we could get a better agreement by sending the politicians back to the table. Reflect on that for a minute. What has every political leader, every Aboriginal leader, faced when he or she has gone back to his or her community after addressing the compromises that were part of the Charlottetown accord? Mounting criticism. Many Canadians who were calling for tolerance and compromise as the answer to the constitutional impasse a few short months ago find that they do not much care for the product of that process. In fact some positions are hardening as never before.

In such circumstances following a "no" vote, will those political leaders feel that they have a mandate to be still more flexible when they come back to the table for the inevitable next round? Anybody who thinks so is, in my view, misreading the realities of the political pressures that these political leaders are facing today, or is deliberately misleading the Canadian people for their own partisan purposes.

Some are suggesting, in fact, that a "no" vote would send a message to politicians that they are not to be trusted with the amendment of the Constitution. Sending messages to politicians is all part of the rough and tumble of electoral politics, but this is not an election. There will be elections enough and time enough to send real messages to politicians; that is what democratic accountability is all about, what elections are for. Everything I have seen convinces me that Canadians are taking this referendum very seriously, so I am confident that Canadians will not follow this advice.

It is clear to me that a "yes" vote would provide the stability that is needed to get on with the economic challenges we face as a nation. A "no" vote is a leap into an uncertain future. Some have said, "Look, why don't we put this all off another five or ten years and have another go at it at that time and get on with the economic issues?"

Well, my friends, I do not think that we will be able to put this off for another five or ten years. Do you think that the supporters of a triple-E Senate are going to be happy just putting this off for another five or ten years? I do not think so.

Aboriginal leaders, who now have within their grasp the self-government for which they have been fighting for 100 years -- do you think they will be content to put it off for another five or ten years? In their place, would you?

Or do you think the Séparatistes in the province of Quebec are going to sit back and say, "Well, let's wait and see what happens over the next five or ten years and then make some moves at that time?" Jacques Parizeau has already said that he will not.

We are playing with fire if we allow the uncertainty we have lived with for the last two years to get worse -- as it will with a "no" vote -- and expect that there will not be any damage to our economy. So I believe that this referendum is about three things: the economy, the economy and the economy. And I think it is very important for us to address our concern about the economy by voting "yes" on October 26.

But let us look at it from another standpoint. Major General Lewis MacKenzie, who was the commanding officer of our peacekeeping forces in Yugoslavia, said recently what he would like to do, before Canadians vote on October 26th: he would like to take each one of us to Sarajevo and show us how fortunate we are as a people to be able to live here in Canada.

So I say to you: think very carefully, very carefully, as you discuss the choices you and your families have to make on October 26. And as you weigh your choice, I ask you to consider a plea I saw recently. A young woman who is not yet old enough to cast a ballot in the referendum wrote to the editor of one of our leading newspapers (the *Toronto Star*). She is upset because she wants to vote "yes," but the members of her family do not -- some because they do not like Quebec, others because they do not like the Senate provisions.

She concludes with this reminder:

The people who can vote, old Canadians, new Canadians and angry or hurt Canadians, don't have as much riding on the out[come] of the Referendum as I do. You must vote on my future, not on your pasts. Since I can't vote Yes to save Canada, maybe you can.

Your children's future, as well as that of our country, is in your hands as you mark your ballot.

Thank you.