

# STATEMENT DISCOURS

SECRETARY  
OF STATE  
FOR EXTERNAL  
AFFAIRS.

SECRÉTAIRE  
D'ÉTAT AUX  
AFFAIRES  
EXTÉRIEURES.



85/22

SPEECH BY THE RIGHT HONOURABLE  
JOE CLARK, SECRETARY OF STATE  
FOR EXTERNAL AFFAIRS, TO THE  
EXPECTATIONS 1990 CONFERENCE

CALGARY

APRIL 22, 1985

BEFORE I PUT ON MY HAT AS SECRETARY OF STATE FOR EXTERNAL AFFAIRS, LET ME SPEAK FOR A MOMENT AS AN ALBERTAN WHO HAS BEEN ON THE FRONT LINES OF THE CONFLICTS BETWEEN OUR PROVINCE AND OUR COUNTRY IN THE BITTER DECADE THAT BEGAN WITH THE CHANGES IN WORLD OIL PRICES. I WANT TO REFLECT BRIEFLY ON THAT EXPERIENCE, AND THE NEED TO PUT IT BEHIND US.

THE COUNTRY WENT THROUGH AN UNNATURAL PERIOD WHEN NATIONAL POLICY SEEMED TO BE DIRECTED AGAINST THE INTERESTS OF WESTERN CANADA. THAT WAS TRUE MOST STARKLY IN THE NATIONAL ENERGY PROGRAM AND THE FIRST LIBERAL PROPOSALS ON CONSTITUTIONAL AMENDMENT, BUT THE IMPRESSION OF PREJUDICE ALSO ATTACHED TO POLICIES REGARDING VIA RAIL, THE CROW RATE, THE APPLICATION OF BILINGUALISM AND OTHER QUESTIONS. THAT PERIOD CHANGED RELATIONS BETWEEN WESTERN CANADA AND THE COUNTRY -- IT CREATED AN ADVERSARIAL ATMOSPHERE, IN WHICH IT WAS STEADILY MORE DIFFICULT TO GET AGREEMENT ON PROGRAMS, OR EVEN ON NATIONAL PURPOSES.

AS ANY WESTERN CANADIAN KNOWS, THERE WAS FERTILE GROUND FOR CONFLICT, BECAUSE THIS REGION HAS BEEN NURTURED ON A SUSPICION OF THE EAST. THAT IS PART OF THE LEGACY WITH WHICH OUR NEW GOVERNMENT HAS TO DEAL -- AND WE DO SO IN THE KNOWLEDGE THAT, AMONG THE SIGNALS

WHICH CANADIANS SENT ALL GOVERNMENTS LAST SEPTEMBER 4th WAS THE CLEAR MESSAGE THAT CANADIANS WANT CANADA TO FUNCTION AS ONE COUNTRY, AND THAT THEY EXPECT THE NATIONAL GOVERNMENT TO TREAT ALL REGIONS FAIRLY. WE CAN CLAIM TO HAVE MADE A GOOD BEGINNING ON ACTING FAIRLY -- WITH THE NEWFOUNDLAND ACCORD, THE WESTERN ENERGY AGREEMENT, THE EQUALIZATION DECISION, THE GENUINE ATTEMPT TO TREAT NATIVE CANADIANS WITH JUSTICE, AND THE ACTIVE COMMITMENT TO CONSULTATION, WHETHER ON THE BUDGET, OR THE GATT, OR SOCIAL OR FOREIGN POLICY.

BUT THAT ADVERSARIAL ATMOSPHERE WILL NOT BE BROKEN BY OTTAWA ALONE. WE ALL KNOW THAT THE HEALTH OF AN INDIVIDUAL BUSINESS OR INDUSTRY OR PROVINCE DEPENDS ON THE HEALTH OF THE COUNTRY AS A WHOLE. WE KNOW THAT THE PROBLEMS IN CANADA HAVE BEEN DEEPER THAN ECONOMIC. WE HAVE A NATION TO HEAL, AS WELL AS AN ECONOMY TO REBUILD. THAT IS WHY I APPRECIATE SO PARTICULARLY THE INITIATIVE OF THIS AUTHORITY IN BRINGING PRIVATE, CIVIC, PROVINCIAL AND FEDERAL REPRESENTATIVES TOGETHER, IN A WAY THAT DEFINES US BY OUR COMMON CONCERNS, NOT BY OUR JURISDICTIONAL DIFFERENCES. WESTERN CANADA, IN PARTICULAR, HAS PAID A HIGH PRICE

FOR GOVERNMENTS WHO WERE SO INTERESTED IN THEIR LEGAL JURISDICTION THAT THEY LOST SIGHT OF THEIR COUNTRY. IT IS PAST TIME FOR US TO BUILD TOGETHER AGAIN.

OBVIOUSLY, MORE MUST CHANGE THAN JUST THE ATTITUDE OF GOVERNMENTS. OVER THE PAST DECADE, OTHER COUNTRIES, OTHER ECONOMIES, HAVE BEEN PULLING AHEAD OF OURS, DESPITE OUR ABUNDANT RESOURCES AND SKILLS. CONSIDER SOME STATISTICS. IN 1968, CANADA EXPORTED MORE THAN THE JAPANESE; TODAY, JAPAN'S SHARE IS MORE THAN DOUBLE OURS. AS AN EXPORTER, WE HAVE FALLEN FROM FOURTH TO EIGHTH PLACE GLOBALLY. IN SEVENTY MANUFACTURING SECTORS, WE HAVE GAINED MARKET SHARE ONLY IN FOUR, AND HAVE DECLINED IN TWENTY-ONE.

ANALYSIS OF PRODUCTIVITY TRENDS IS NO MORE ENCOURAGING. BETWEEN 1970 AND 1981, CANADA WAS AMONG THE WORST PERFORMERS OF THE MAJOR INDUSTRIAL COUNTRIES, IN TERMS OF GROWTH OF MANUFACTURING OUTPUT PER PERSON EMPLOYED. FURTHERMORE, IN THE MANUFACTURING SECTOR, THE COMBINATION OF RELATIVELY LOW OUTPUT AND HIGH COMPENSATION PER HOUR OF LABOUR HAS FORCED UP OUR LABOUR COSTS PER UNIT OF OUTPUT. THAT IS PARTICULARLY EVIDENT IN COMPARISON WITH THE UNITED STATES. IT IS ALSO SIGNIFICANT THAT CANADA'S GROSS

RATES OF RETURN IN MANUFACTURING WERE CONSIDERABLY BELOW THOSE OF THE U.S., JAPAN, FRANCE AND GERMANY, IN 1982.

AND GO BEYOND STATISTICS TO LOOK AT TRENDS.

WITHIN OUR LIFETIME, JAPAN HAS GONE FROM TOYS, TO RADIOS, TO SHIP BUILDING, TO CARS, TO HIGH TECHNOLOGIES. NOW WE FIND THE SAME PHENOMENON IN DIFFERENT STAGES IN KOREA, AND HONG KONG AND BRAZIL AND MEXICO. A POTENTIAL FOR SIMILAR DEVELOPMENTS IS OCCURRING IN CHINA, THE PHILLIPINES, THAILAND AND INDIA. IN ANOTHER WAY, THE MEMBERS OF THE EUROPEAN COMMUNITY HAVE ALSO ADAPTED TO CHANGING REALITY, BY JOINING TOGETHER TO BUILD AND EXPAND THEIR COMMON MARKET.

TAKE ANOTHER TREND. THE VERY TERMS OF TRADE HAVE BEEN WORKING AGAINST THE RESOURCE BASE ON WHICH CANADIAN GROWTH HAS DEPENDED. IN THE 1950's, FOR EXAMPLE, CANADA SUPPLIED NINETY PERCENT OF THE WORLD'S NICKEL BUT COMPETITION FROM ABROAD HAS CUT OUR SHARE TODAY TO A THIRD OF THAT LEVEL. AND YET WE ARE BECOMING MORE -- NOT LESS -- DEPENDENT ON TRADE IN PRIMARY GOODS, WHICH ACCOUNTED FOR A QUARTER OF OUR TRADE IN 1971, AND A THIRD IN 1981. WE HAVE SIMPLY NOT BEEN AS FAST AS OUR COMPETITION IN ADJUSTING TO

A CHANGING WORLD.

AND FINALLY, CONSIDER PROTECTIONISM. IT IS A GROWING FORCE AROUND THE WORLD AND IS VERY STRONG IN THE UNITED STATES. WE HAVE JUST SCRAPED THROUGH WITH NARROW ESCAPES FROM PROPOSED UNITED STATES ACTIONS TO PLACE NEW RESTRICTIONS ON IMPORTS OF SOFT WOOD, LUMBER, STEEL AND COPPER. JUST FOR A MOMENT, IMAGINE THE CONSEQUENCES IF THE UNITED STATES DECISIONS HAD GONE THE OTHER WAY.

WHILE THESE TRENDS WOULD BE DISQUIETING IN ANY ECONOMY, THEY ARE ALARMING IN OURS -- BECAUSE, MORE THAN MOST NATIONS, WE HAVE TO COMPETE INTERNATIONALLY TO SURVIVE. ALMOST THIRTY PERCENT (30%) OF OUR G.N.P. RESULTS FROM INTERNATIONAL TRADE, COMPARED TO A LITTLE OVER FIFTEEN PERCENT (15%) FOR JAPAN, AND TEN PERCENT (10%) FOR THE UNITED STATES.

WE DID NOT CHOOSE THESE REALITIES, NOR DO WE CONTROL THEM. JAPAN OR KOREA DID NOT NEED OUR PERMISSION TO BECOME AND REMAIN AGGRESSIVELY COMPETITIVE. THE UNITED KINGDOM DID NOT ASK OUR PERMISSION TO EMBRACE THE LARGER EUROPEAN MARKET AND LEAVE THE COMMONWEALTH PREFERENCE ASIDE. THE UNITED STATES DID NOT CONSULT CANADA BEFORE IT CREATED THE SILICON VALLEY. THAT'S THE WAY THE WORLD WORKS.

NOBODY IS GOING TO LOOK AFTER CANADA EXCEPT CANADA. THE ONLY WAY WE CAN LOOK AFTER OURSELVES -- WITH OUR IMMENSE POTENTIAL AND OUR SMALL POPULATION -- IS TO BECOME HIGHLY COMPETITIVE, AND BUILD ON THOSE INTERESTS WE SHARE WITH OTHERS, INCLUDING PARTICULARLY OUR INTEREST IN A MORE OPEN WORLD TRADING SYSTEM.

I MAKE THIS POINT BECAUSE THERE IS OFTEN A ROMANTIC NOTION THAT CANADA'S NATURAL WEALTH -- OR INGENUITY OR CHARACTER -- MAKE US IMMUNE TO THE CHANGES THAT ARE TRANSFORMING THE WORLD. THERE IS A TEMPTATION FOR CANADIANS TO BELIEVE THAT WE CAN GROW WITHOUT CHANGING. THAT IS A DANGEROUS ILLUSION, BECAUSE IT STOPS US FROM THINKING ABOUT HOW WE BUILD A STRONG FUTURE OF OUR OWN.

NOW, HOW DO WE BUILD THAT FUTURE?

I WANT TO REVIEW WHAT OUR GOVERNMENT IS INTENDING IN FOUR FIELDS -- INVESTMENT, COMPETITIVENESS, THE NEW GATT ROUND, AND DIRECT ENCOURAGEMENT OF CANADIAN TRADE, PARTICULARLY WITH THE UNITED STATES AND THE PACIFIC RIM.

WE GIVE THE HIGHEST PRIORITY TO RESTORING CANADA'S REPUTATION AS A COUNTRY THAT WELCOMES AND REWARDS INVESTMENT. OUR FIRST MAJOR INITIATIVE WAS TO REPLACE FIRA, AND MICHAEL WILSON'S BUDGET WILL CONTINUE THE ENCOURAGEMENT OF ENTERPRISE AND INVESTMENT. WE WANT

THE WORLD TO KNOW THAT CANADA IS OPEN FOR BUSINESS.

BUT INVESTMENT IS ONLY ONE STEP TO BECOMING MORE COMPETITIVE. WE HAVE BEEN INCUBATING PROBLEMS WHICH HAVE LET OTHER COUNTRIES PULL AHEAD. LET ME MENTION TWO AREAS: OUR RESEARCH AND DEVELOPMENT PERFORMANCE AND OUR EDUCATIONAL SYSTEM.

THE OECD RANKS CANADA AS ONLY A "MEDIUM" R & D SPENDER, COMPARED WITH OTHER MEMBER STATES, EVEN THOUGH WE ARE GENERALLY RANKED AS A "MAJOR" OECD ECONOMY. OUR COMMITMENT TO R & D IS LAGGING BEHIND OUR INVESTMENT IN OTHER ECONOMIC ACTIVITY. IN INDUSTRIAL R & D, ON A PER CAPITA BASIS, WE RANK STILL LOWER. IN EDUCATION, THERE IS SOME EVIDENCE THAT THE CANADIAN SYSTEM IS NOT DOING AS WELL AS IT COULD IN PREPARING GRADUATES FOR THE INTERNATIONAL MARKETPLACE. CURRENT INTERNATIONAL EVALUATIONS SUGGEST THAT CANADIAN STUDENTS ARE NOT SCORING HIGH ENOUGH IN KEY SUBJECTS, SUCH AS MATHEMATICS. WE ALSO NEED TO ASK OURSELVES IF THE PATTERN OF POST SECONDARY SPECIALIZATION IS PRODUCING THE OPTIMAL MIX OF ENGINEERS, SCIENTISTS AND MANAGERS THAT WE WILL NEED TO ACHIEVE AND MAINTAIN AN ADVANCED INDUSTRIAL STRUCTURE.

MY COLLEAGUE, TOM SIDDON, WILL BE DISCUSSING SOME OF THESE QUESTIONS IN MORE DETAIL THIS AFTERNOON, AND FLORA MACDONALD IS



WORKING WITH PROVINCIAL MINISTERS IN DEVISING TRAINING PROGRAMS THAT ARE RELEVANT TO THE MODERN WORLD. BECAUSE THAT IS THE WORLD IN WHICH WE HAVE TO COMPETE AND PREVAIL.

A NEW GATT ROUND HAS MUCH TO OFFER WESTERN CANADA. WE MUST EXPAND TRADE IN AGRICULTURAL PRODUCTS AND OTHER PRIMARY GOODS, AND INCREASE MARKET ACCESS OF PETROCHEMICALS AND OTHER HIGHLY COMPETITIVE WESTERN PRODUCTS. WE WANT THE NEW ROUND TO DEAL WITH INTERNATIONAL TRADE IN SERVICES. FROM EXPLORATION TECHNOLOGY, TO ENGINEERING, TO FINANCE, WESTERN CANADA HAS COMPANIES WHICH CAN COMPETE WITH THE BEST IN THE WORLD -- IF THAT COMPETITION IS CONDUCTED FAIRLY.

THE NEXT ROUND, OF COURSE, WILL HAVE TO ADDRESS THE EXTRAORDINARILY COMPLEX SYSTEM OF NON-TARIFF BARRIERS, RANGING FROM SO CALLED "VOLUNTARY" QUOTAS, TO "BUY NATIONAL" GOVERNMENT PROCUREMENT POLICIES, TO "ORDERLY MARKETING ARRANGEMENTS". THE BEST INFORMATION ON NON-TARIFF BARRIERS COMES FROM OUR EXPORTERS. WE NEED TO KNOW WHAT YOU HAVE LEARNED AS WE PREPARE FOR NEGOTIATIONS.

CANADA, AS A TRADING NATION, WOULD SUFFER ENORMOUSLY IF PROTECTIONIST BARRIERS TO TRADE CONTINUE TO PROLIFERATE. WE HAVE A VITAL STAKE IN RENEWING THE COMMITMENT TO TRADE, BUT WE ALSO

RECOGNIZE THAT THIS RENEWAL MUST BE SUPPORTED BY OUR MAJOR TRADING PARTNERS. TWO WEEKS AGO, MICHAEL WILSON AND I CHAIRED MEETINGS IN PARIS OF FOREIGN AND FINANCE MINISTERS FROM OECD COUNTRIES. THE MAJOR INDUSTRIAL POWERS OF THE WORLD WERE PRESENT, AND MOST RECOGNIZED THAT ANY FURTHER EROSION OF THE INTERNATIONAL TRADING SYSTEM CARRIES GREAT DANGERS.

PREPARATORY MEETINGS WILL PROBABLY BEGIN THIS SUMMER, AND MANY OF US HOPE THERE WILL BE A COMMITMENT TO BEGIN THE NEW ROUND BY EARLY 1986. FOR THAT TO HAPPEN, DEVELOPING COUNTRIES ARE GOING TO HAVE TO SEE SOMETHING FOR THEMSELVES IN A NEW ROUND. TO HELP ACHIEVE THAT RESULT, I HAVE HAD CANADIAN OFFICIALS VISIT COUNTRIES IN LATIN AMERICA IN RECENT WEEKS, AND FURTHER DIRECT CONSULTATIONS ARE PLANNED WITH BRAZIL, INDIA AND OTHER DEVELOPING OR NEWLY INDUSTRIALIZED COUNTRIES. THAT IS THE KIND OF CONSTRUCTIVE ROLE WHICH IS OPEN TO A COUNTRY WITH OUR TRADITIONS, AND WE INTEND TO EXERCISE IT.

I WOULD OBSERVE, IN PASSING, THAT WE CAN PLAY A SIMILAR ROLE IN HELPING BRIDGE DIFFERENCES BETWEEN DEVELOPED AND DEVELOPING COUNTRIES ON QUESTIONS OF INTERNATIONAL DEBT. THAT QUESTION IS IMPORTANT TO OUR TRADE, BECAUSE IT AFFECTS THE ABILITY OF POTENTIAL CUSTOMERS TO BUY WHAT WE SELL.

FINALLY, ON THIS LIST, I WANT TO REFER TO TRADE PROMOTION.

RECENTLY, THE GOVERNMENT ORGANIZED MARKETPLACE '85. IN 18 CANADIAN CITIES, OUR TRADE COMMISSIONERS HELD 7300 INTERVIEWS WITH CANADIAN BUSINESSMEN. WE WILL BE INVITING COMPANIES TO VISIT PROMISING MARKETS, AND HELPING THEM TO EVALUATE EXPORT POTENTIAL. THIS EXERCISE IS PART OF EXPORT '85, A YEAR LONG EFFORT TO IMPRESS UPON CANADIANS THE IMPORTANCE OF EXPORTS TO OUR PROSPERITY, AND TO INFORM THEM OF THE SERVICES AVAILABLE FOR REACHING FOREIGN MARKETS.

WE'LL BE ENCOURAGING EXPORTS EVERYWHERE, BUT TWO LARGE MARKETS HAVE SPECIAL POTENTIAL, PARTICULARLY FOR WESTERN CANADA. ONE IS THE UNITED STATES, WHERE WE HAVE THE CHALLENGE OF KEEPING EXISTING MARKETS, AS WELL AS WINNING NEW ONES. THE OTHER IS THE PACIFIC RIM, WHICH WE BELIEVE WILL BE THE MAJOR SOURCE OF NEW GROWTH FOR CANADA IN YEARS TO COME.

TEN YEARS AGO, CANADA'S TRANS-PACIFIC IMMIGRATION SURPASSED OUR TRANS-ATLANTIC IMMIGRATION, FOR THE FIRST TIME IN HISTORY. TWO YEARS AGO, OUR PACIFIC TRADE SURPASSED OUR ATLANTIC TRADE, FOR THE FIRST TIME. IN 1979, AN EARLIER, SHORTER-LIVED, CONSERVATIVE GOVERNMENT ORGANIZED THE FIRST NATIONAL CONFERENCE ON CANADA AND THE PACIFIC RIM. THAT GOVERNMENT, LIKE THIS ONE, CONTAINED LEADING

MINISTERS FROM WESTERN CANADA, WHO KNOW HOW MUCH OF OUR FUTURE LIES TO OUR WEST. FOR A HUNDRED YEARS, CANADA HAS BEEN A PACIFIC NATION IN GEOGRAPHY, AND WE INTEND TO MAKE IT A PACIFIC NATION IN MENTALITY TOO.

CURIOSLY, THE TRADING INITIATIVE WHICH GENERATES THE GREATEST CONTROVERSY IS THE ONE WHICH CONCERNS OUR BEST FRIEND, AND BIGGEST PARTNER, THE UNITED STATES.

FOR MOST PEOPLE, CANADA/U.S. RELATIONS IS A MATTER OF EMOTIONS, NOT ECONOMICS. THE UNITED STATES OF AMERICA MAKES SOME OF US NERVOUS, AND SOME OF US PROUD, AND PERHAPS NO ONE CAN LOOK AT THE RELATIONSHIP OBJECTIVELY. HOWEVER, I WOULD ASK YOU TO STEP BACK FROM EMOTION, AND LOOK AT THE PROSPECT OF A FANTASTICALLY RICH COUNTRY, OF 25 MILLION INHABITANTS, SHARING A CONTINENT WITH A COMPETITOR AND A MARKET OF 240 MILLION, AND SHARING A WORLD WITH NATIONS WHOSE LABOUR AND TECHNOLOGY CHALLENGE EVERYTHING WE KNOW.

ASK YOURSELF WHETHER A COUNTRY CAN COMPETE BY PRODUCING FOR 25 MILLION, WHEN ITS NEIGHBOUR HAS A HOME MARKET 10 TIMES THAT SIZE. ASK IF KEEPING WALLS -- EVEN LOW WALLS -- AROUND THAT COUNTRY WOULD LOCK WEALTH IN OR KEEP IT OUT. THEN ASK HOW THE SMALLER NATION SHOULD PLAY ITS HAND IN THE FACE OF A BIGGER NEIGHBOUR WHICH HAS THE SAME TASTES AND TALENTS AND TECHNOLOGY, MAGNIFIED TEN FOLD.

WHAT IS AT ISSUE IS NOT AMERICAN STRENGTH, BUT CANADIAN STRENGTH. IT MAY BE THAT, IN THE FIFTIES AND SIXTIES, CANADIAN GOVERNMENTS HAD CAUSE TO FEAR AMERICAN ABSORPTION. I AM NOT HERE TO ARGUE THE PAST, BUT RATHER TO STATE THE VIEW THAT TODAY'S CANADA IS STRONG ENOUGH -- SURE ENOUGH OF OURSELVES AND OUR IDENTITY -- TO WORK WITHOUT FEAR WITH THE UNITED STATES. THREE WEEKS AGO, IN MOSCOW, I TOLD MR. GROMYKO THAT HE AND HIS GOVERNMENT SHOULD ACCEPT THAT, IN THE NORTHERN HALF OF NORTH AMERICA, THERE ARE TWO STRONG NATIONS, DISTINCT FROM EACH OTHER, BUT WORKING TOGETHER AS FRIENDS. NO ONE YET KNOWS WHAT FORM OUR TRADING RELATIONS WITH THE U.S. WILL ASSUME. BUT THE FOUNDATION WILL BE IN CANADIAN CONFIDENCE, NOT CANADIAN FEAR.

THE IRONY, AND THE EPITAPH, OF THE LAST TEN YEARS IN CANADA IS THAT WHILE OUR COMPETITORS WERE REACHING OUTWARD, WE WERE LOOKING INWARD. WHILE JAPAN, AND KOREA, AND GERMANY, AND FRANCE, DEVELOPED NEW TECHNOLOGIES, WE PATRIATED A CONSTITUTION. WHILE NEWLY INDUSTRIALIZED COUNTRIES SOUGHT CAPITAL AND GROWTH, WE ENACTED FIRA AND THE NEP. WE LOST SOME TIME AND SOME ADVANTAGES, AND WE HAVE TO WIN THEM BACK. I AM CONFIDENT WE CAN DO THAT, AND LOOK FORWARD TO WORKING WITH YOU.