Minister for International Trade

Ministre du Commerce extérieur

STATEMENT
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Notes for an address by the Honourable James Kelleher, Minister for International Trade, to the Canadian Press Publishers Annual Meeting

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Canada

Over the past year and a bit, Canada has been engaged in a national debate on the subject of our trade with the United States. The debate has been led by our newspapers, which have, I believe, recognized the importance of trade and given the issue responsible and thoughtful coverage. I may not agree with everything that has been written, but I didn't expect to. It is, after all, a debate.

What is most relevant is that your publications have played a leading role in making Canadians aware of the importance of our trade -- not only with the United States, but with the rest of the world as well. It has not been an easy task, for trade is a complex subject, but you have been up to it and in my opinion you have served Canada well. So I would like to take this opportunity to congratulate you, publicly, for a job well done.

Maybe even too well done. For today, I'm entertaining serious suspicions that you and the Canadian Press may have some powers of prescience. From your point of view, and looking at what's going on down in Washington, I doubt that you could have picked a better week to schedule a talk from the Minister for International Trade.

From my point of view, it's still a bit early, because Washington is still producing more heat than light. But let's take a look at the situation anyway.

The problem came up quite suddenly on Friday morning, when Senator Robert Packwood, the Chairman of the Senate Finance Committee, said the committee would, if it voted that day, probably reject President Reagan's request to enter trade negotiations with Canada. Now Senator Packwood is from Oregon, which is a lumber state, and he has been trying for the past few months to pressure the White House into taking protectionist measures against Canadian softwood lumber, but even so his announcement came as a surprise.

It was a surprise to us. It was a surprise to Clayton Yeutter, the U.S. Trade Representative, who maintains close liaison with both houses of Congress. And it was certainly a surprise to the White House.

It was a surprise because, although Senator Packwood's sympathies were well known, he is only one Senator out of 20 on the Finance Committee, and the signals coming from the Senate -- and the House of Representatives, as well -- all indicated that a majority in both Houses had no objections to starting trade talks with Canada.

Curiously enough, they probably still have no objections. What Senator Packwood and his Finance Committee were doing was sending a message -- not to Canada, but to the White House. I think we can assume that the message got through.

The trouble is that Canada got sideswiped in the transmission. We got caught, at least temporarily, in a spontaneous outburst of Senatorial frustration at a variety of Administration policies, not the least of which is its inability to reduce America's trade deficit, which is humungous. There are many in the Senate who believe the White House is not being assertive enough -- and by "assertive", they mean "protectionist" -- in turning the deficit around. The Administration's position, on the other hand, is that only by further liberalizing trade, all over the world, can the U.S. restore its trade balance. In a political system that is based on the separation of powers, this is something more than a difference of opinion. It is a classic confrontation.

Congressmen are more susceptible to pressures from local interest groups and special interest groups than is the White House, and, with an election coming this fall, the frustrations have been mounting on the Hill. Last week's Finance Committee hearings on trade with Canada were the first chance the Senate had had in six months to undertake a formal examination of trade issues, and they used it to make their frustrations known.

It is still too early to measure the implications for Canada of last week's Senate rebellion. The Finance Committee vote is not scheduled until Thursday. In the meantime, we intend to hang tough, and I have informed Ambassador Yeutter -- and, through him, the White House -- of our position. As far as we are concerned, it is an internal Washington matter, and it's up to the White House to resolve it.

At the Washington Summit last month, President Reagan assured the Prime Minister that our bilateral trade talks would begin on schedule, would be on the fast track, and would have what they call "a clean launch" -- that is, no preconditions. We still expect the President to honour that commitment. He knows as well as we do that failure to do so would raise doubts, in Canada and elsewhere, about Washington's credibility and its commitment to liberalizing trade. And we have been assured that the White House is pulling out all the stops to convince the Senate Finance Committee to approve the talks -- fast track, clean launch and all.

We are prepared for whatever happens on our proposal to talk trade with the States. If this episode turns out to be simply sound and fury, signifying nothing, well and good, we'll go ahead. If not, if the confrontation between the White House and Congress turns out to be irresolvable, well, so be it. We have been prepared from the beginning for the possibility that we might not be able to negotiate a new trade agreement with the U.S. We never said it would be easy.

Even if our bilateral talks got thrown off the track, we would, of course -- and as a matter of course, continue to address our concerns in the U.S. on a host of individual trade issues, and we would continue to explore the best possible means to secure and improve the access we have in that market.

In any case, the trade talks we proposed with the States were only one part of a broader global strategy to increase our trade. We have many other irons in the fire. Our Trade Negotiator's office is also preparing our positions for the next round of multilateral trade talks, which are due to start in the fall. And we have a major push going to promote our trade in the rapidly growing countries of the Pacific Rim.

Let there be no doubt. Our intention is to pursue the liberalization of trade throughout the world, because Canada has always been a trading nation. Our prosperity depends on our ability to trade, and we must maintain that ability in a world that is changing rapidly and growing ever more competitive.

The challenges facing us as we attempt to do this are very real. They deserve a closer look. So let me start with three generalities about the world we live in.

First generality: the world is becoming more interdependent by the day. Its economies are becoming more and more intertwined. Rather than trying to produce everything themselves, nations are trading more and more with each other. This is to the benefit of all. It has been of great value to Canada.

Second generality: trade creates

wealth. Everybody gains by it. It is the principal fuel of growth. In Canada, our exports have multiplied tenfold in the past four decades and imports have gone up almost as much. During the same four decades, our national wealth -- the Gross National Product -- more than tripled, and our productive labour force more than doubled.

We now export a third of what we produce and import three-tenths of what we consume. What we are doing, in other words, is trading on a grand scale. Auto parts from Ontario for oranges from Orlando. Coal from B.C. for cameras from Japan. Cod from the Grand Banks for Caribbean rum. Gas from the West for oil for the East. Plus lumber for coffee, airplanes for water skis, telecommunications equipment for VCRs, and so forth. Basically, the formula is simple: things we produce cheaply or well for things we don't. That's why trade works. And as it enriches our lives, it provides a great many jobs. Well over three million Canadians are in jobs that depend directly on trade.

Third generality. The world is not standing still. It is changing so rapidly and so profoundly that it is hard to keep up with the changes.

Some of the changes are taking place in the marketplace, in what people want to buy. The bottom has dropped out of commodity markets, for example. Resource-based economies are in trouble. Oil is on a roller-coaster, up and down, up and down. The future seems dim for some of our traditional exports, and some of our traditional customers are labouring under heavy international debts.

On top of all that, high technology is sweeping the world. You can see it in your own newsrooms. Ten years ago, no self- respecting reporter would be caught dead pounding out his copy on anything but a standard typewriter, preferably battered and, if at all possible, an ancient Underwood. No longer. In the city room now, they're all hooked up to terminals, and when they go out on the road they work on a portable computer that can send their copy automatically, by telephone, to their editors. About the only consolation left is that they still have to write their own stories. The computers can't do that -- yet.

That may change, of course. In the U.S. alone, the information technology industry now brings in as much revenue as the auto industry. Worldwide, it will be the biggest manufacturing industry by the end of the decade. And at least four countries seem to be well on the way to producing a computer that will approximate the human brain.

How close they'll come, and how soon, is still in some doubt, because the future of Artifical Intelligence is far from clear. Some experts say computers will think like humans in five years, some say it will take 30 years, some say they never will. But then, in the frantic world of high technology, very little is ever clear.

Indeed, technology is changing so fast that not even its own specialists can keep up with it. Let me give you an example. The highest tech workers in high tech are designers of computer chips. At a rough estimate, there are only 5,000 of them in the world, and they are very well paid. But not for long. After five years on the job, their skills are obsolete, overtaken by new advances in a technological offensive that never seems to stop.

That, for better or for worse, is the kind of world we're living in. With automation and technology moving so quickly, the key to success -- perhaps even survival -- will be flexibility, on the ability to adapt, on the capacity to be competitive.

But we in Canada have some catching up to do. We spent most of the seventies and part of the eighties procrastinating about our economy. We invested too little in research and development. We paid too little attention to improving productivity. We put off hard decisions. We refused even to suck the bullet, much less bite it. And while we temporized, our competitiveness eroded -- and our share of world trade declined. In 1968, for example, Canada ranked fourth among the world's trading nations, just ahead of Japan. We've now dropped to eighth and Japan exports twice as much as we do.

We are a country whose prosperity has always been dependent on trade. Our only real alternative is to regain our competitive edge, and to keep the doors to trade open, indeed open them wider.

And that is what this government is attempting to do. We're encouraging investment to put the bite back in our industry. And we are operating on three main trade fronts -- the United States, the Pacific Rim and the GATT -- to open more doors.

This is not the only trading course we could have chosen. There are two other options, options that some Canadians would urge us to choose. We could do nothing except fight the brush fires that keep breaking out. Or we could slip backwards into protectionism, hiding inside Fortress Canada, and let the world pass us by.

But doing nothing leads nowhere, and we simply cannot afford to let the world pass us by. If we did, we would become a backwater, our economy would stagnate, jobs would dry up, and our living standards would sink to intolerable levels.

How intolerable? Two of Canada's foremost economists, Richard Lipsey and Murray Smith, present one possibility that is highly disturbing to many Canadians. It runs as follows, and I quote: "Canada could find its living standards so low relative to those in the United States that subsidies to Canadian cultural activities would be dismissed as overly expensive luxuries, and people would begin to ask if the economic cost of a politically independent Canada was just too high."

Let me take this thought a bit further. In this country, our cultural sovereignty and social programs depend on our capacity to sustain economic growth, and that is directly linked to our ability to trade. Only a strong economy can guarantee the cultural institutions that give us our unique Canadian identity. As publishers, you know this first hand. When the economy is weak, your advertising revenue is diminished, and as it sinks so does your editorial budget.

It also follows that only a strong economy will allow us to support our health care, our unemployment insurance programs, our regional equalization payments. If our economy were weak, our social programs would surely suffer and our cultural sovereignty would be less resilient. We might, as Richard Lipsey and Murray Smith suggested, start to wonder: what price Canada?

That, I suggest, is a question we should never have to ask. The Government of Canada has set a course so that we never will.