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DRAMATIC GROWTH IN CANADA'S PACIFIC TRADE

An Address by the Honourable Mitchell Sharp,
Minister of Trade and Commerce, to the Pacific
Northwest Trade Association, Anchorage, Alaska,
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As Minister of Trade and Commerce I have a keen awareness of the positive role of international trade as a crucial factor in national prosperity. Because of our greater dependence on export markets than the United States this interrelationship is especially important for Canada. I am also keenly aware of the importance of trade as a positive and constructive factor in political and general relations between countries and peoples. It seems to me self-evident that the dangers of unnecessary misunderstanding can be reduced through the knowledge and mutual awareness that accompany contacts through trade. It will be obvious how greatly I value the role of businessmen engaged in international trade -- men who, day by day, extend and broaden the channels of profitable and fruitful contact throughout the world.

It is as it should be that you, the business leaders of Western Canada and the western part of the United States, should come together to exchange views and to focus attention on the development of trade with our neighbours around the Pacific rim. This trade, already large, will, I believe, be of increasing importance to both our countries in the years to come. I am happy to report that throughout the breadth of Canada there is a growing appreciation of the importance of our Pacific as well as our Atlantic involvement. More and more eyes are turning towards the West as they look into the brightness of the future.

To this audience, there is little need for me to elaborate in detail on the potential of trade in the Pacific region and the importance of seizing the opportunities. Canada's trade with this region has shown dramatic growth over the past decade. Our wheat sales to the area have increased from about \$60 million in 1954 to nearly \$540 million in 1964. Japan is a traditional and most valued market for Canadian wheat. We have been able to develop new and substantial outlets in mainland China for Canadian grain. A part of our grain sales to Russia moves out through Pacific ports and enters the Soviet Union through their Pacific ports. In 1963-64 and again in the current crop year, wheat and flour sales to our traditional customers and to our more recent customers in Eastern Europe and Asia involved movement of the maximum volume of wheat we can physically handle through our existing facilities.

Our West Coast ports have, over the years, done a masterly job in moving Canadian grain to Pacific markets. I am delighted with the progress in train to expand port facilities. The strike in Vancouver is behind us and I look to the highest measure of co-operation from all concerned to insure that the movement of Canadian grain through Pacific ports reaches a new high in the current crop year.

Of course, we cannot expect the record volumes to which I have referred to be repeated every year. But I do expect and look confidently to China to provide a continuing and substantial outlet for Canadian grains in the future -- this in their own interest as well as ours. And I am hopeful that the Soviet Union will come to regard Canada as a usual source of supply in years when their crop is normal as well as when crop conditions in the U.S.S.R. give rise to large import requirements. I am convinced that it makes good economic sense for the Russians to look to Canada as an efficient source of supply, in good years as well as bad, for at least part of the grain requirement of their Pacific region.

Apart from wheat, Canada's exports to the Pacific region, excluding the United States, reached about \$700 million in 1964. The level has been increasing sharply and we look to continued growth. Our trade with the area is illustrative of most of the current challenges and problems of international trade. Our partners include small countries and large, countries of the North and of the South, the developed and the developing, members and non-members of the Commonwealth, market economies and state trading economies and a multitude of races.

Japan, whose interest and friendship we value highly, has become Canada's fourth largest market in the world, after the United States, United Kingdom and the EEC. Canada is in the fortunate position of being able to supply economically many of the imports required by Japan to feed its population and to sustain and expand its industrial complex. Many of you are directly involved in the development and sale of the great forest and mineral resources of this Coast and need no reminder from me of the value of this trade. We should like to see it continued and increased. We should also like to see a greater diversification in that trade. Can we do more of the processing of Canadian resources in Canada? I believe that the opportunities to sell Canada's materials to Japan in a more advanced stage of manufacture are less than they should be. And I hope that in time we will have better access to the Japanese market for fully manufactured goods and that our production of such goods will be sufficiently efficient and competitive to earn us a growing position in that market.

Canada represents an expanding and large market for Japanese goods. In 1964, Japan's exports, at \$175 million made it our fourth largest supplier. While the trade balance is in Canada's favour, it is significant that in the last decade Japan has enjoyed a ninefold increase of sales to Canada while our sales to Japan have trebled.

Over time, continental Asia, with its vast population, should become a major Pacific and world market. The speed with which this occurs will depend on many factors, both political and economic. In this context, mainland China and Russia have massive impact. We in Canada believe that trade with these vast areas should be developed and cultivated as circumstances permit. As a

nation vitally dependent on export trade, we must search out normal market opportunities wherever they occur. And we believe that trade can make a real contribution to better general relations with countries which do not share our political beliefs. In co-operation with our partners in the Western alliance we prohibit the sale of strategic goods to these destinations and we see to it that U.S. goods do not reach prohibited destinations through Canada. But we are convinced that it makes good sense to develop mutually advantageous trading connections in peaceful goods with all countries and areas, including Communist China.

The development of trading opportunities with countries with a centrally planned economy presents special problems. It would be a mistake to assume that there is a vast unsatisfied demand, that these countries are just waiting to buy everything we are prepared to sell. The development of trade in peaceful goods with the Sino-Soviet bloc will only be realized through hard work and perseverance. They are discriminating buyers and tough bargainers. They suffer some of the handicaps of any big and bureaucratic organization and these must be penetrated. It is not easy to establish direct contact with the ultimate buyer and user. However difficult it may be, and however slow and frustrating the efforts to sell in that vast continent, I sincerely believe that, for reasons of long-term self-interest, both political and economic, the effort is well worth while. In this area of trade there is always the possibility that changing political circumstance can accelerate or retard the process. This is a fact of life which must be recognized and taken into account. But over the long haul and in the interests of world peace, I am satisfied that the course of establishing closer understanding and more intimate contact must be patiently pursued.

In the Pacific area, Australia and New Zealand are, of course, of key importance in Canada's Commonwealth trade. The volume of sales in these traditional and long-standing markets has risen from \$61 million in 1954 to \$180 million in 1964. As both Australia and New Zealand have moved forward in their industrialization, we have found the need to adapt ourselves to their changing market needs. And this process has not been without problems for some of our suppliers. The recent decision of Australia and New Zealand to join together in a free-trade arrangement between themselves will, no doubt, call for further adjustments. But I trust that the arrangement they are to work out will provide an impetus to further economic expansion and with it increased demands for the goods we are able to supply. I know that New Zealand and Australia, both of whom are world traders and have important stakes in the North American market, will be bearing our trade interest in their market closely in mind as they move ahead.

We in Canada have been able in these markets to develop a broad diversification of trade - to test the muscles of our manufacturing industry in competing overseas as well as to supply needed materials. These are valued trade ties. I am fully aware of the sensitivities of our American friends to the fact that in certain goods we have special advantage in these markets through tariff preferences and that we accord such preferences in return. But it is to be remembered that for value received, we and other Commonwealth countries, through multilateral negotiations, including negotiations with the United States, have been prepared to reduce preferential margins in Commonwealth trade. We would expect this process to continue in the current round of trade

negotiations in Geneva as the world proceeds with the task of reducing trade barriers generally.

I have not touched so far on Latin America and our community of interest with this area in the Pacific. The growth in our trade with Latin America has been somewhat less dramatic than elsewhere but still impressive. The increase in the last decade has been from \$188 million in 1954 to \$330 million in 1964. Last autumn I had hoped to lead a goodwill trade and economic mission to Latin America, designed to stimulate greater trading interest in both directions. Events forced me to postpone that trip. I am determined, if political fortunes are with me, to make such a visit in the near future.

I should like to emphasize that Canada's absence from the OAS table should in no way be construed as any lack of interest in Latin American affairs or any lack of willingness to play our role in the Western hemisphere. We are a member of a number of United Nations subsidiary bodies dealing specifically with Latin America, including the Economic Commission for Latin America. In the last year we have worked out arrangements with the Inter-American Development Bank under which we have set aside substantial funds to finance economic development in Latin America. We work closely with Latin American countries on international commodity problems and we are deeply conscious of their interests as we seek to grapple on the international plane with the serious trade and economic problems of developing countries throughout the world. In our relations with Latin America we consider how best we can make our contributions to Western hemisphere affairs within the framework of the totality of our world relations.

The development of North America's trade frontiers on the Pacific rim must, in the final analysis, be up to you, the businessmen of Canada and the United States. It is up to governments, however, to improve the trading framework within which you can develop those trading opportunities. The current negotiations in Geneva, the so-called "Kennedy round", are looking to a major step forward in reducing trade barriers imposed by governments. Canada, the United States and Japan are key participants in this negotiation, along with the EEC countries, Britain and the other EFTA countries. Industrial offers were exchanged last November and detailed bargaining has been engaged. Later this week countries are scheduled to table their offers on agricultural products and there is expectation that Australia and New Zealand, who have major agricultural export interests, will, at that time, be joined in the detailed bargaining. It would be premature to make any forecast as to the result of these negotiations. The task the participating countries have set for themselves is hard and complex. Much will depend on the role of the EEC and the participation of the Community has been complicated by concurrent difficulties within the Common Market, particularly in relation to their agricultural policy. The goal that has been set -- a major freeing up of world trade -- is worth the effort. The bargaining will clearly be long and difficult. While the eventual result may not represent as great an advance as had been hoped by the original architects, I trust that significant progress will be made.

An issue of key importance before us in these negotiations, and in other international meetings, is the challenge that faces the developed world in meeting the needs of the less fortunate countries. On the Pacific rim

there are a number of countries which require a substantial degree of support if they are to reach the take-off point of economic viability and provide their peoples with a more adequate standard of living. Both Canada and the United States are, of course, extending substantial aid to these areas, both bilaterally and through multilateral programmes. At present, plans are moving forward for the setting up of an Asian Development Bank designed to help in the provision of much-needed investment capital. While a great deal is being done in the field of economic aid, more will be required of us in the years ahead.

It is incumbent upon us to ensure that these developing countries have a better opportunity to help pay their own way. It is not a question of trade or aid, since both are required. But, in the end, trade will be of the greatest importance if these countries are to realize their economic potential. In this context the challenge before the developed countries is to open up their markets more freely to the exports of the developing countries. This applies not only to the basic exports of tropical products and other materials, which we have traditionally taken from them, but to the provision of outlets for the manufactures of their newly-developing industries.

Many of us have encountered difficulties of market disruption through the penetration of our markets by low-cost goods, particularly from Asian countries. Problems of adjustment are involved and it is in everyone's interest that the process of market development should be orderly. We in Canada consider that we have played our full share in accepting an increased volume of low-cost imports and that the arrangements worked out to avoid disruption in our market have been fair to our trading partners and to our own manufacturers. We believe that the problems we face in the area of possible disruption from low-cost imports would be substantially reduced if other industrialized countries, for example in Europe, were as prepared as we to open markets to imports.

Because of the orientation of this meeting towards other countries of the Pacific rim I have not spoken today of the trade and economic links between Canada and the United States or of the problems to which our massive mutual trade not unexpectedly gives rise from time to time. Perhaps it is sufficient to say that your joining together in the Pacific Northwest Trade Association and this meeting here in Anchorage epitomize the closeness of our links, the intimacy of our economic collaboration and the mutual advantage of close co-operation between our two countries. If I were to mention that I spend a good deal of my time dealing with problems arising with respect to trade in wheat, in oil, in minerals and forest products, it would perhaps illustrate that not all the channels of trade and co-operation between us are clear of hazards and obstacles and the need for constant and careful attention to the rules of the road.

Before concluding, I should mention Canada's interest and my interest as the minister responsible for the Canadian Travel Bureau in the question of developing tourism in the Pacific area. Travel has important social and political as well as economic benefits.

Last year about two million people visited Asia and Australia, spending about \$600 million (U.S.). This represented an increase of 15 per cent over 1963....

Canadians are, per capita, far ahead of all other peoples in travel expenditures abroad, and they are already becoming well-known as visitors to Pacific rim countries. The reverse flow is as yet small but rapidly increasing.

As we approach 1967, the centenary of our Confederation which will be celebrated all year long from coast to coast -- and highlighted by a great world exhibition (Expo '67) in Montreal, we expect to see an impressive rise in the number of transpacific visitors to Canada.

A warm and friendly welcome awaits all who come to enjoy our vast and diverse land, and to see how actively we are developing as our country gets ready, with firm faith in a glowing future, to enter its second century as a nation.

Visitors to Canada from the Pacific area are especially welcome, whether they come as tourists or to trade. In turn, the peoples of the Pacific rim will be seeing more and more of us in their countries as we intensify our links across and around the Pacific....

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