

STATEMENT DISCOURS

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NOTES FOR A SPEECH BY
THE HONOURABLE JAMES
KELLEHER, MINISTER FOR
INTERNATIONAL TRADE,
TO THE CANADIAN TRADING
HOUSE CONFERENCE

TORONTO

MAY 24, 1985

Thank you, Mr. Chairman. It is my pleasure to welcome you to this trading house conference -- and to Budget Day plus one.

I have really come here to talk about trade and trading houses, but let me begin by talking a bit about yesterday's budget. If I don't, I may be the only one in Canada who isn't talking about it today.

Our government was elected to bring about change -- particularly to restore the job-creating vitality of the Canadian economy. On November 8, we set out a strategy by which this goal could be reached and in which Canadians could take an active role.

The budget advances this strategy. It is a budget which will encourage the growth we need to create jobs, and to make social and cultural progress. It is premised, above all, on the need for fairness.

The actions presented in the budget focus on three areas which are fundamental to economic renewal.

First, we must encourage private initiative. For too long, government has decided what is best for Canadians. We want Canadians, not government, to choose what works best for Canada.

Second, we must manage government more effectively. A healthy economy requires an efficient, effective and fair public sector.

Finally, we must control the national debt. Employment will not rise to a satisfactory level unless the deficit comes down to a satisfactory level.

Since the election and the November Economic Statement, we have consulted before acting and we have acted fairly. This budget, the first full budget in our mandate, carries the strategy for renewal forward -- with action.

The economic problems facing this country are not easy to solve. But solve them we must. In the budget the need for economic

growth, deficit reduction and job creation are addressed realistically. And we emphasized that government -- any government -- cannot solve them alone. We need the help, the co-operation and determination of all Canadians.

The budget provides firm and determined policies that are dedicated to effective action by the government and by Canadians. Above all, the budget stresses that individuals hold the key to our future economic prosperity.

The budget proposals encourage individual initiative and private sector growth. That is the best way to involve Canadians in our country's future. And the budget proposals respond to the urgent need to reduce the national debt in a fair and balanced manner.

The budget contains a number of measures that are specifically designed to stimulate small and medium-sized business. That should be of special interest to you, as trading houses, not only because most of you are small or medium-sized business -- but also because most of your clients are, as well.

One specific measure is the proposal for a lifetime capital gains exemption of half a million dollars for individuals. This exemption provides a much greater reward to -- and incentive for -- Canadians to invest in new and growing independent businesses. It tells entrepreneurs that when they put their ideas, their time, effort and financial resources on the line, they will be able to reap the rewards.

Another measure encourages investments by Registered Retirement Savings Plans in equity capital of private businesses. Still other measures include the extension of the small business bond program, tax credits on research and development and an exemption for small business from the five per cent one-year corporate surtax.

The budget stresses that economic renewal depends heavily on the dynamism that we

believe exists in individual Canadians and in the business community. And, as far as I'm concerned, nowhere can this dynamism be better put to use than in and through Canada's trading houses.

I think all of us here recognize the importance of exports to the Canadian economy. They bring in three dollars out of every ten we earn. Since trading houses account for more than 13% of our exports, a little quick calculation will come up with a fairly startling figure. Canada's trading houses -- all 500 of you -- account for roughly 4% of our GNP.

Obviously, trading houses have become a very important vehicle for Canadian products to reach overseas customers. The trading house performs a variety of useful functions: it is exporter, importer and third-country trader. It is merchant, agent, buying house and export manager. For a relatively small sector, and one which until recently operated with very little public visibility, Canadian trading houses have done a very commendable job. I am also impressed with the potential of trading houses for introducing small to medium-sized companies to the export market.

The trading house community in Canada has reached a milestone in its development today. Much past effort and activity has culminated in this conference. The most recent and significant, of course, was the Trading House Task Force, which was active last year. While I had the pleasure of meeting and thanking the Task Force members in February, I would like to take this opportunity to go public and congratulate Tom Burns, the Chairman, and the 13 members of the Task Force for the excellent work they did in assembling the report.

The Task Force findings demonstrate that assistance to small and medium-size trading houses is perhaps a better way of increasing Canada's exports than, for example, trying to emulate the Japanese approach -- channelling everything through a small number of very large,

vertically-integrated trading entities. I don't want to leave you with the impression that I would like Canadian Trading Houses to remain as they are. The whole thrust of this conference is aimed at improving their operating environment so as to assist in their growth and development, and I fully support that effort.

It is in this context that the Tom Burns Task Force put forward its recommendations. The proposals are directed not only at the Trading Houses themselves, but also at federal government departments, crown corporations and agencies involved in trade promotion, trade policy, export financing, development aid and the Canadian Chartered Banks. The recommendations deal with key issues ranging from the sector's image to its treatment by Canadian financial institutions and government departments and agencies.

The report does not present any one-shot, quick fix solutions for the problems facing trading houses. For this sector to play a bigger role in increasing Canada's exports, specific problems must be addressed in a patient, coordinated and cooperative fashion by both the public and private sectors. It is in this spirit that we are gathered here today.

There are doubters, in both the public and private sectors, people who question the international marketing capabilities of trading houses. I don't know why this perception prevails, but I do know this: the only way the doubts can be dispersed is for trading houses, in cooperation with other players in the Canadian economy, to find ways to improve their image and credibility.

Certainly the task force report has made a good start. But I think you will agree that the only way to resolve the problem in the long run is for trading houses themselves to take positive action.

In this regard I am encouraged by the early initiatives outlined to you this morning by

Mrs. Tourangeau, in the formation of a new Council of Canadian Trading Houses. The Council could provide an accreditation procedure for trading houses. It could represent their interests at the federal level. And it could promote the services of the sector to manufacturers and producers. It is my hope that a strong Council, with fulltime staff devoted to these very important activities, will make significant inroads into the problems faced by trading houses. I have no doubt that this type of effort will lead to a better understanding of trading house capabilities by suppliers, Canadian Financial Institutions and, yes, even by Government.

One of the main conclusions of the Task Force Report was that the Trading House sector requires more equitable treatment by government. To address this issue 27 recommendations were directed at various federal government departments, agencies and crown corporations.

I am pleased to inform you that my department has already implemented some of the task force recommendations. We have established a Trading House and Countertrade Division to act as a focal point for trading houses in Ottawa and to provide information and education on their role and function to both the public and private sector. Departmental instructions have been issued to our personnel in Canada and abroad seeking their fullest cooperation in assisting trading houses to increase their exports to existing markets and penetrate new markets.

Let me wander for a moment into territory that may not be specifically marked out on trading house maps. Most of you, I believe, are aware that I am engaged in a process of consultation with the private sector on the question of securing and enhancing access to the markets of Canada's most important trading partner, the United States. These consultations are almost complete now, and I expect to submit preliminary recommendations to Cabinet next month. I know that most trading houses do most of their business outside of North America, and I suspect that some of you may have concerns about how any deal we might strike with the United

States might affect our trading relations elsewhere -- and your business in particular.

So let me reassure you. Nothing we do with the United States will impinge on our trade with the rest of the world. We are intent on enhancing our business relations with all of our trading partners -- in Europe, the Pacific Rim, the Third World, the Middle East, the works -- and we are working actively to do so.

You will shortly be hearing from Vic Lotto, who will expand on some of my trading house themes and tell you about our present initiatives in export market development. Vic will also talk about a special project to investigate both sourcing and information problems relating to international marketing.

I have no intention of pre-empting this afternoon's program, but I can tell you that all the participants on the agenda have made a concerted effort to address the Task Force's recommendations as effectively as possible within a very limited time. Recommendations dealing with our government financing facilities, with our foreign aid procurements, with our regional offices here in Canada - all have been examined and acted upon. I am sure that when you hear this afternoon's presentations you will be as impressed as I am.

I am very encouraged by the overall positive response to the Task Force recommendations. I would like to take this opportunity to thank all those whose efforts made this such a successful conference. I know that all the recommendations will not be addressed to your entire satisfaction today. However, I look at this conference, and I hope that you do too, as the beginning of a long term close working relationship between government and the trading house sector to resolve the problems of today and tomorrow. If the same spirit of cooperation that I see here today is carried into the future, we cannot help but be successful.

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Together, we are undertaking an important endeavour: to improve Canada's export performance and put more muscle in Canada's economy.