

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
CANADA-JAPAN BUSINESS CONFERENCE

BANFF, Alberta
May 17, 1993

Mr. Chairman and distinguished delegates:

Thank you for your warm welcome. It gives me great pleasure to address a group such as yours, which has contributed so much over the years to the excellent state of the Canada-Japan economic relationship.

Since I became Minister for International Trade two years ago, I have had the pleasure of meeting both Canadian and Japanese members of the business community on numerous occasions, including many of you. But this is my first opportunity to speak to your Conference.

It is particularly pleasant to welcome our Japanese friends to such an attractive and popular part of our country. The Canadian Rockies are indeed a favourite destination of Japanese visitors to Canada, as our colleagues in the Tourism sector can attest. Mr. Yamashiro¹, we are delighted to have you and your colleagues with us.

Today, I want to touch on a number of topics:

- First, our shared bilateral and multilateral interests;
- Second, the challenges we face -- particularly those confronting Canadians -- in realizing fully the potential of our business ties;
- Third, I want to discuss with you a new Canadian Action Plan for Japan; and,
- Lastly, I want to say a few words about the North American Free Trade Agreement -- and why it is good for Canada and Japan.

As you know, Canada's relationship with Japan is characterized by significant commercial, investment and technology exchanges, and rapidly increasing tourism. Japan is second only to the United States as Canada's most important economic partner.

Last year, our two-way trade totalled more than \$18 billion. Some 470,000 Japanese tourists visited Canada. Japanese direct foreign investment in Canada reached \$6.5 billion in U.S. dollars. Portfolio investment exceeded \$49 billion.

We already enjoy an excellent relationship. But the potential to make it even better is enormous.

Canadians see in Japan today a market increasingly open and receptive to imports. The yen has practically doubled in value since 1985 -- a function of Japan's remarkable economic achievements. All this has opened numerous possibilities for

1 Yoshinari Yamashiro, Japanese Chairperson of the Canada-Japan Business Conference

Canadian suppliers of products and services, particularly in higher value-added items now imported increasingly by Japan.

Peter Lougheed spoke this morning about Canada-Japan Forum 2000. He has given you a flavour of the Forum's numerous recommendations, all designed to build on the already excellent Canada-Japan relationship.

Prime Minister Mulroney was delighted with the ideas put forward for Canadians and Japanese by this group of highly distinguished citizens from our two countries. We all owe them a special vote of thanks -- in particular, Mr. Yoshio Okawara, the Japanese Co-Chair, who addressed your conference in Yokohama last year, and, of course, the Canadian Co-Chair, Peter Lougheed.

Nor should we forget the Canada-Japan Business Conference (CJBC) members of the Forum -- Hart MacDougall and Koichiro Ejiiri -- who brought their unique experiences, both in business and from their active participation in this conference, to the deliberations of the Forum.

The Prime Minister regards the Forum's report as a blueprint for future Canada-Japan relations and he has been pleased by the excellent progress made to date on implementing its recommendations. To ensure that the momentum the report has developed is maintained, the Prime Minister has asked Peter Lougheed to quarterback the Canadian side of the post Forum 2000 advisory group, which is charged with advising our two governments on the report's implementation.

Following Peter Lougheed's presentation of the Forum's report last December, the Prime Minister asked [Secretary of State for External Affairs] Barbara McDougall and myself to look at how Canadians -- that is, governments, business concerns, academics and private individuals -- might respond to the recommendations.

A number of them are of interest to you, ranging from multilateral economic and political co-operation to richer cultural and academic contacts.

But two in particular deserve further comment here:

- one advised governments to remove impediments to bilateral corporate investment, strategic alliances and technological exchanges,
- the other urged Canadians to improve their understanding of the demand side changes creating growth opportunities for the export of higher value-added goods to Japan.

Let me start with the second of these two recommendations, that of urging Canadians to pay more attention to the growth sectors

of Japan's import market. Here, I issue Canadians a challenge: take better advantage of the opportunities this growth offers. I also invite our Japanese friends to work together with Canadian companies to develop and provide the new products that Japan's economy needs.

The Government of Canada recently demonstrated its support for expanded business linkages by establishing a Canadian presence throughout Japan.

In November 1991, I opened the new Canadian Trade Consulate in Fukuoka. My colleague, the Honourable Tom Hockin, Minister of State for Small Businesses and Tourism, opened our Trade Consulate in Nagoya in November last year. This followed the Prime Minister's May 1992 appointment of Honourary Commercial Representatives in Sapporo, Sendai and Hiroshima, all of whom have since been working to develop Canada-Japan economic linkages in areas where we have had limited presence.

Despite these and other comprehensive efforts to build Canadian business with Japan, Canada's export performance to Japan over the past two years has been disappointing -- dropping by 13 per cent in 1991 and recovering only slightly in 1992. Last year also marked the ninth consecutive year in which our imports from Japan topped our exports to Japan.

That's particularly distressing for Canadians at a time when the Japanese import market has shown record-breaking growth. It represents lost opportunities for our Japanese partners as well.

Clearly, we have our work cut out for us in recovering and expanding our market share in Japan. That's one key reason for issuing that challenge to Canadian companies.

Canadian industry must adapt to Japan's changing import needs to participate more fully in growth segments of Japan's economy, however. That means understanding market changes and opportunities in Japan -- changes that reflect a flat though stable demand for raw materials and a rapidly growing demand for more fully processed goods.

Indeed, many of you have already accepted the challenge to do just that. There are many real success stories. Maple Leaf Foods has developed seaweed flavoured French fries for the Japanese market. Champion Road Graders has adapted their cab to accommodate the two operators required for snowplowing in Japan.

We need more companies, with appropriate Japanese partners, learning from these and other success stories. Our objective as leaders in government and the private sector must be to alert companies in Canada more generally to market opportunities, to encourage the adaptation of products for the Japanese market, to

establish a strong presence in Japan, and to develop relationships and linkages with Japanese partners in Japan, in Canada and in third markets.

Many representatives of Canada's business establishment -- including some here today -- have recognized this imperative. They have been working with the federal and provincial governments to develop "Action Plans" in seven priority sectors: processed foods, fisheries products, building products, information technologies, auto parts, tourism and aerospace.

These plans together constitute a new Canadian Action Plan for Japan: an integrated effort on the part of all federal and provincial governments in support of clearly articulated private-sector strategies for realizing our potential in these high priority growth sectors.

Preliminary outlines of the Action Plans in each of these sectors -- some more complete than others -- are included in the background information kit available with the copies of my remarks today.

You will see that these plans are all different, depending on the requirements of each sector. There is, however, a common theme. Each plan calls for increased awareness and knowledge of the Japanese market, product adaptation and design to meet Japanese needs, and both collective and individual efforts to promote these value-added products in Japan. These are the well-tested elements of success.

I will cite just one example to illustrate the huge export potential in the sectors addressed by these plans.

Some 40 buyers representing 23 builders in Japan participated recently in a nine-day mission to Toronto, Calgary and Vancouver. They placed immediate orders with 14 of 17 firms visited for manufactured building products worth more than \$7 million.

Products of interest to this group included softwood plywood and aluminum concrete forms, kitchen and bathroom cabinets, prefabricated wall panels and house packages, aluminum railing, exterior brick panels, bathroom fixtures and wood doors.

Few of these buyers had any previous exposure to Canadian building products. The group realized purchasing high quality products abroad could cut distribution and input costs. The mission is expected to lead to still greater volumes of ongoing sales. It is a major success story illustrating both the huge export potential of this market and the trends we have identified in our Action Plans.

Canadians didn't discover Japan only yesterday.

We must not overlook significant past and current efforts by the public and private sectors to improve Canada's business performance in Japan. But these new Action Plans seek to integrate efforts better -- to avoid duplication. They have been developed in close co-operation with the private sector.

Above all, these Action Plans add a new dimension, however, by:

- placing more emphasis on building awareness of business opportunities in Japan;
- bringing more participants into the market and encouraging them to develop a strategy that will serve them some 5 or 10 years down the road;
- establishing sectoral and regional mutual-support networks;
- engaging industry leadership in partnership with governments; and,
- most importantly, appealing directly to the Japanese customer by designing and adapting our products to meet their needs.

Much of this work needs to be done right here in Canada. And groups such as your own can provide the leadership needed.

Preliminary development of these sectoral Action Plans is already under way.

In February, some 200 Canadian firms participated in workshops across the country to learn about the Japanese market for value-added building products. These and other companies can also look forward to a detailed study of the market to be released by our Tokyo trade office in June -- the culmination of a year's work by government and private-sector experts.

Next week, the first of what we hope will be a cross-country series of workshops on the market for processed foods will take place in Vancouver.

We have agreed with the Automotive Parts Manufacturers' Association (APMA) to cost share an expert to work in their offices to help implement a more active strategy for Japan. The APMA has set up a special Japan Committee to guide this process.

Tourism Canada's Asia-Pacific Partnership Committee cost shares generic "travel to Canada" advertising in Japan, and Tourism Canada has just run a series of seminars across Canada informing operators of tourism facilities about the needs and expectations of Japanese travellers.

The key is industry leadership. Already, a number of groups have come forward:

- earlier, I mentioned the APMA's Japan Committee and the Asia-Pacific Partnership Committee in Tourism;
- the Agricultural SAGIT or Sectoral Advisory Committee on International Trade includes TOS -- a Trade Opportunities Strategy Sub-Committee. Its members are observers at this conference. They will meet here Tuesday afternoon and Wednesday morning. Those members not currently doing business with Japan have a golden opportunity to witness its great potential;
- an informal group of companies and sector associations has come together in the fisheries sector; and
- the Canadian Telecommunications Advisory Council will play host to representatives from Japan's telecommunications industry for a series of technical seminars next fall in Canada.

Many of these groups already include participation by CJBC members. We value this participation and seek your assistance in publicizing these efforts within your own industries.

Note that this is not a "government" Action Plan for Japan.

Our success depends on developing and implementing a Canadian Action Plan in which all the players pull together, reinforcing one another's efforts.

The Canadian delegates to this Conference will need to play leading roles. We are well on our way. But we still have much to accomplish. We look to our Japanese partners to help us supply you with what you want.

Beyond any doubt, this Action Plan is needed. The market demands it. We must position ourselves in the growth sectors of Japan's imports. The urgency of doing so was captured for us in the Canada-Japan Forum 2000 report.

The Government's Prosperity Initiative this past year stimulated country-wide debate on how to manage global change and use external challenges and opportunities to advantage. During nationwide consultations in more than 80 communities, Canadians told us repeatedly that we must look outwards to world markets.

The Private-Sector Steering Group's first report called on us to develop a collaborative international strategy and to consolidate federal-provincial trade development activities. The Action Plan does this. It seeks leadership from you, the private sector. It offers support from both federal and provincial governments.

Of course the Action Plan will be all for nought if we fail at the same time to maintain our current markets for raw materials, which remain an essential nucleus of our exports to Japan.

Some of these markets are particularly vulnerable. Lower prices have led to declining profits in Canada's coal industry, for example, a situation that can only lead to low levels of investment and future supply difficulties. This is a dangerous mix, particularly when combined with continuing pressures to buy more coal in the United States.

We must achieve a dual focus: maintaining our current resource business, but building for the future by putting emphasis on the value-added product that Canada can and will supply to Japan.

Let me now turn back to the first of the two recommendations of Forum 2000 of particular interest to you, the one advising governments to remove impediments to bilateral corporate investment, strategic alliances and technological exchanges.

We have heard what the Forum was told concerning several issues, including the confusion around competing jurisdictions and rapidly evolving policy, particularly in the environmental area. We are working to address these concerns.

Back in 1984, we introduced an Agenda for Economic Renewal that recognized macro-economic performance is critical to a positive investment environment in Canada. Through policies like expenditure control, deficit reduction, tax reform, deregulation, privatization and trade liberalization, the Agenda for Economic Renewal has served as the bedrock on which to build a progressive, forward-looking economy. In 1984, of course, this all constituted a significant change of direction. But it will not be lightly or soon abandoned.

We have had to make some tough -- at times unpopular -- decisions. But they are paying off.

We are out of the recession. We have had a positive growth trend since the second quarter of 1991. There are strong indications that the Organization for Economic Co-operation Development (OECD) will prove correct in its forecast that our gross domestic product (GDP) growth will lead the Group of Seven leading industrialized nations (G-7) in 1993. Canada's prime rate is at its lowest in 21 years. Mortgage rates are down.

Canada's 12-month Consumer Price Index measuring inflation was 1.9 per cent in March, and the year to year inflation rate for the first quarter of 1993 averaged 2.1 per cent. That's very good by historic as well as G-7 benchmarks.

Unemployment is still too high at 11.4 per cent in April. But we have created 151,000 full-time jobs since August and employment has increased in 10 of the past 12 months.

Canada has a number of notable strengths that contribute greatly to our international competitiveness: a strong industrial base, a vibrant university sector, a skilled workforce, and a healthy infrastructure. These strengths should not be underestimated or taken for granted. Continuing high investment has brought a strong increase in productivity during the past several quarters.

Our strengths have not gone unnoticed. For example, only last week a Sake (Saki) barrel was opened to inaugurate the new DNN Galvanizing Line in Windsor, Ontario, a major joint venture investment by Dofasco of Canada, NKK of Japan, and National Steel of the United States.

After almost four years in operation, the Canada-U.S. Free Trade Agreement (FTA) has more than proved its worth. In just the past year, we've seen an export-led recovery in which Canadian exports to the United States increased by over 13 per cent, resulting in a \$17.7-billion trade surplus for Canada.

The FTA has increased Canada's trade potential, created a positive climate for the Canadian-based export industry and established opportunities for foreign investors in Canada to better serve not only Canadian needs but, from a Canadian base, those of the world's largest market in the United States.

The NAFTA now gives us an opportunity to protect and improve the liberalization gains of the FTA. Let's recall some of the ways the NAFTA will be good for both Japan and Canada.

- After more than four years of enjoying the benefits of the Canada-U.S. FTA, we know that it has facilitated expanded trade. It's a win-win affair for both parties. And this in spite of the recent recession. The NAFTA builds on the FTA. NAFTA-led growth and prosperity will lead to greater demand, and increased demand will lead to new opportunities for Canadian and Japanese business.
- From Canada, the NAFTA will provide access to a North American market of 360 million people -- access that will benefit from all the negotiated rules of fair play built into the Agreement.
- And to mention an improvement over the FTA of particular value to potential Japanese investors, Japanese firms that expand into the United States or Mexico from their Canadian base will receive all the protection in these countries of the NAFTA's national treatment provisions received by Canadian-owned firms. We want Japanese investors to choose

Canada. And we will work hard on their behalf as we did in resolving the Honda trade dispute with the United States, to the great satisfaction of Honda.

- The NAFTA meets the test of our joint benefit in many ways. For example: the elimination of most tariff and non-tariff barriers within 10 years; a set of clearer and more predictable rules of origin; comprehensive coverage of intellectual property; major improvements in access to government procurement; and, a strong, predictable dispute settlement system.
- The NAFTA complements the Uruguay Round of the Multilateral Trade Negotiations (MTN): for example, the chapters on trade in services and intellectual property rights build on provisions in these areas now expected to emerge from the Uruguay Round.
- And let me say here what we tell all our trading partners: the more ambitious and successful we are in eliminating barriers to trade and investment in the multilateral context, the less will be the relative advantage of operating through regional agreements.
- The NAFTA introduces no new barriers to trade or investment. In no way is this agreement intended to create a Fortress North America.
- The fact that the Agreement is "outward looking" -- containing an accession clause for other countries wishing to join -- shows the NAFTA is a progressive economic initiative.

Canada has maintained close contact with Japan throughout the negotiations and immediately thereafter. We were the first of the NAFTA countries to debrief our Japanese counterparts and Japanese companies. We will continue our efforts in the weeks and months ahead to provide -- to all interested parties -- information on the Agreement and on NAFTA provisions of specific interest to our Japanese partners.

All three parties are working toward implementing the NAFTA on January 1, 1994. This is well under way in both Canada and Mexico. In the United States, President Clinton has already begun to consult Congress as the Administration moves forward with us on negotiating side agreements on the environment and labour standards. The U.S. Administration has reconfirmed its intention to introduce NAFTA implementing legislation well in time for the Agreement to enter into force on schedule. We have every reason to be confident of a successful implementation in all three countries, and on schedule.

The NAFTA, like the Canada-U.S. Free Trade Agreement on which it is built, will be consistent with the General Agreement on Tariffs and Trade (GATT) in both policy and law. The underlying principle of both our regional and our global approach to trade is that of liberalization.

In this connection, Arthur Dunkel, Director-General of the GATT, commented some time ago that regional and global approaches to trade were "two sides of the same coin." He said: "Multi-lateralism and regionalism can coexist: better, they can actually reinforce one another."

Those of us who do business across the Pacific can be pleased with the important contribution of APEC, the Asia-Pacific Economic Co-operation Forum. It has furthered the MTN process and given strong support to trade liberalization at all levels within our region.

The dark cloud on the horizon is the tendency toward managed trade between Japan and the United States.

I spoke with Prime Minister Kiichi Miyazawa and other members of the Japanese cabinet last April concerning the dangers of managed trade possibly undermining our multilateral efforts and about the real damage it could do to Japan's other suppliers. At the time, Canadian auto parts suppliers were running into "buy USA" discrimination in their dealings with Japanese companies.

We have continued to remind both Japan and the United States of our concerns. We have been assured that increased market access will be on a Most Favoured Nation (MFN) basis. But you can appreciate our doubts given political pressure to reduce the trade deficit in the United States.

I want to emphasize that our participation in the NAFTA in no way detracts from our commitment to trade liberalization through the Uruguay Round. Our top trade priority continues to be the successful conclusion of the Round.

Involving six long years of negotiation, this is undoubtedly the most ambitious Round ever attempted in GATT history. Leaders in government and business around the world generally agree that a successful conclusion to the Round will inject much needed stimulus to the world economy. I share that assessment.

Last week, I hosted a one-day working session with my colleagues from the United States, Japan and the European Community to look at ways we can move the talks forward on the issue of market access. I am pleased to report that good progress was made and that momentum is building for substantive discussions at the

G-7 Summit in Tokyo this July. There is a strong commitment by all our trading partners to complete the Uruguay Round negotiations by the end of the year.

Thank you again for giving me this opportunity to discuss a range of issues, including Canada's Action Plan for Japan and the NAFTA.

Canada and Japan enjoy an excellent bilateral relationship with potential for further economic trade activity. The Action Plan I have announced today will ensure that Canadians seize the opportunities ahead and establish many more successful business arrangements.

On these and other issues, we appreciate the leadership the CJBC has always shown in the management of our excellent bilateral relations with Japan. We welcome your suggestions on how government can help create and maintain an environment conducive to trade, investment and prosperity in the years ahead. And we encourage your active involvement in helping to fulfil these plans.

You have a stimulating agenda ahead of you at this conference. It is an important agenda because it bears so directly on the future success of our relations in trade and other areas. And so, I wish you every success now, and in the years to come.

Thank you.