

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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NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL H. WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY
AND MINISTER FOR INTERNATIONAL TRADE,
TO THE ANNUAL MEETING OF
THE INTERNATIONAL IRON AND STEEL INSTITUTE

MONTREAL, Quebec
October 8, 1991

Thank you, Mr. Phoenix, for your kind introduction. I thank the International Iron and Steel Institute for this invitation. I would like to join your Chairman in welcoming our international guests to Canada.

Last week I was shown a cartoon in which a television announcer was saying: "In the news today, the million-to-one shot has come in, lead can be turned to gold, pigs can fly and hell has frozen over. Details at 11."

That pretty much sums up what is happening in these times of startling events. Every day we hear of drastic changes in the world, in nations, in economies, in industries and in people's lives.

It is a cliché to say that the only constant in today's world is change. But at the heart of every cliché is truth. And the truth is that it is a safe bet -- for me, for you, for Canadians -- that something will change tomorrow, and the change will affect our lives or the way we do things.

I know that Canada's international friends are interested in what's happening to Canada and how we are managing change. Tonight, I want to talk to you about the ways Canada is responding to the challenges and the opportunities of these startling events. As we look at the implications of these events we can all take a lesson from the 19th century English philosopher John Stuart Mill.

Mill, the story goes, awoke one morning with a strong feeling that the answer to the "question of the ages" had come to him during the night, but he had forgotten it. Mill placed a pen and paper beside his bed, reasoning that he could wake up and write the answer down when it came to him in the night again. Several days later, he awoke with the same feeling. He looked at the paper and saw that he had indeed awakened long enough to write down the answer. There, in his own handwriting, were these words: "Think in different terms."

In Canada -- as elsewhere -- the changing face of the world demands that we think in different terms. As our parents, our grandparents and their grandparents did, we are redefining the terms of our living together.

Two weeks ago, Prime Minister Brian Mulroney tabled, in the House of Commons, proposals entitled "Shaping Canada's Future Together." The proposals have a critical objective: building a stronger and more prosperous Canada where all Canadians can feel at home. We are convinced that Canadians want a country that is better equipped to meet the challenges of the global economy in the 21st century and beyond.

These proposals are aimed at doing just that. They include several fundamental reforms to the economic union. These proposals are designed to give Canada the means to act decisively to

ensure our prosperity. Prosperity has been a fundamental goal of our government since 1984. We have been restructuring and updating the Canadian economy, to transform the sluggish economy we inherited to a dynamic market economy for the 1990s.

Several major steps have been taken in this Agenda for Economic Renewal that has been at the heart of our economic policy since 1984.

We have deregulated many sectors of the economy. Firms can now adjust quickly and effectively to rapidly changing markets.

We have changed income and sales tax rules to improve competitiveness. We have made the tax system fairer. We have limited incentives which distorted investment decisions.

We have moved away from passive income support for people affected by changing industries to active support of skills training. Together with labour and the private sector, we are working to find other ways of making full and productive use of our valuable human resources.

We have privatized Crown corporations which no longer served a public policy purpose.

Regional development is now a local matter, with the people closest to the problems and the opportunities making the decisions.

Budgetary and monetary policy has been directed towards investment and growth in productivity. Through budgetary and monetary policies we are bringing the public debt under control and reducing inflation.

For a trading nation such as Canada, which exports more than 25 per cent of its output, liberalization of trade is more than a priority: it is a necessity. We have pursued liberalization multilaterally, bilaterally and trilaterally.

Canada is committed to the Uruguay Round of multilateral trade negotiations. Indeed, these negotiations represent Canada's most significant commitment to trade liberalization. At an informal meeting early in September in France with my counterparts from the U.S., the EC and Japan, we discussed how to re-energize the talks.

The Round is the largest, most complex set of international trade negotiations in history, and it must no longer be held hostage to the agriculture issue. The discussions I had with my colleagues convince me that there is the political will to tackle the obstacles. I am optimistic that the Round will succeed.

Bilaterally, the Canada-U.S. Free Trade Agreement -- the FTA -- has improved access to Canada's most important export market.

On June 12th this year, Canada, Mexico and the U.S. started talking formally about a North American Free Trade Agreement. If the talks succeed, they will open up an economic area with 360 million people and a combined GNP of more than \$7 trillion. Success can only increase the global competitiveness of all three nations.

At the same time, in response to increasingly urgent demands of Canadians -- and people throughout the world -- we have started to make the theory of sustainable development a reality. Business and industry are being encouraged to use energy resources and natural resources efficiently and to ensure that neither process nor product pollutes.

Rapid changes to environmental laws and regulations are already a fact of life for your industry in many industrialized countries. These inevitable reforms will continue to have a major impact on trade and investment, particularly in industries such as iron and steel, and pulp and paper.

The Agenda for Economic Renewal has done much to create and sustain the conditions in which Canadian business -- Canadian entrepreneurship -- can compete and grow and prosper. More needs to be done. Business and industry, labour and government see that more needs to be done. They are starting to think in new terms and acting together to make continuing prosperity part of Canada's future.

I will soon be announcing a Prosperity initiative. I will be asking Canadians to join us in thinking in new terms and to plan together for the challenge of the global economy. Our Prosperity initiative is based on one premise: that Canada's standard of living depends on competitiveness. Our competitiveness depends on our productivity, on greater and better use of our export opportunities, on improving the quality of our goods and on doing all this at a competitive price.

The initiative will focus on five areas of competitiveness: education, science and technology, investment, creating a competitive domestic market, and international trade. Competitiveness today, for business, for industry and for nations, means working smarter. Working smarter to become more competitive starts with learning the skills to do so and the Prosperity initiative will address this crucial issue. We know that in the next 10 years nearly two-thirds of all new jobs created will require at least a high school diploma. Forty per cent of those new jobs will require more than 16 years of training.

We know that in 1986, half Canada's workers beyond high school age had not completed high school. Now, three out of every ten high school students in Canada drop out, many to become part of that grimmest statistical group: the 38 per cent of adult Canadians who lack the literacy skills needed to function fully in a modern society.

We have to turn those statistics around. We have to create a learning culture. We have to improve the learning culture for youngsters so they stay in school. And we have to create a learning culture for adults who will need continuous training and retraining to adjust to the impact of technology on their jobs.

As a nation, we are learning the lessons that your industry -- and other industries -- throughout the world have learned: science and technology are keys to success in the new global marketplace.

Canadians must find new approaches to improve Canada's performance in making a seamless connection from research and development in the laboratory -- to production in the plant -- to sales in the global marketplace. It is just this spectrum that successful companies will increasingly exploit to expand their business opportunities. Canadian companies are beginning to realize the benefits to be derived from forging strong strategic alliances.

Government has a role in science and technology. The university and private research and development sector has a role. Business has a role just as important -- whether it be in doing its own research and development or transferring technology through international collaboration. Improving Canadian science and technology is a challenge that must be met if our economy is to adjust to changing circumstances; develop new and improved processes, services and products; and create high-quality jobs.

Competition for investment funds has increased as a result of the rapid and unexpected changes in the world economy. Investment capital is critical in maintaining growth. Canadians must think in new terms about creating an investment climate which encourages savers to link with innovators and entrepreneurs.

We have made significant reforms aimed at improving the taxation system, increasing tax fairness and creating an economic environment attractive to investors. Our measures to reduce inflation have reduced the cost of investment money; we will continue to battle inflation and, at the same time, encourage creation of more and larger pools of capital for small businesses and entrepreneurs.

A major part in the creation of more capital investment funds is gaining control over government spending. Canadian companies compete in capital markets with their federal government's need

to finance our national debt. That is one major reason we have placed so much emphasis on reducing the deficit. And our emphasis is showing results. For example, Canada's deficit this year will be \$30.5 billion -- despite the impact of the recession -- well below the \$38.5 billion deficit we inherited in 1984. And let me put this in a international context.

On a comparable accounting basis, the Canadian deficit for the last fiscal year was equal to 3.7 per cent of our economic activity compared to an estimated 5 per cent for the American deficit for their fiscal year ending this September. I should add, that our deficit as a share of GDP has declined substantially compared to five years ago -- while the American deficit has grown.

For Canadians -- especially those in the business community -- this means fewer demands on the capital market by the federal government, which will help free up investment funds for capital projects to produce wealth.

Canadian competitiveness will also depend on an improved domestic market. As part of the Constitution Proposals Prime Minister Mulroney presented two weeks ago, we have included fundamental reforms to the Canadian economic union.

Canadians are modernizing a constitution which was written with economic realities of the mid-19th century. It could not have anticipated the rapid changes brought on by the creation of a global marketplace. The government is proposing a series of amendments -- for public discussion -- which will enhance the mobility of people, goods, services and capital within Canada which is key to strengthening our economic union.

In an era of growing international business linkages, Canada simply has too many barriers to trade within the country. Our ability to compete in global markets is hindered by antiquated restrictions to the free functioning of our internal market. So, we propose that by 1995, the Constitution be modernized to enhance the mobility of persons, capital, services and goods within Canada.

Two key provisos are attached to this idea. First, there should be no slackening in current efforts to remove the some 500 existing barriers to interprovincial trade. And second, there are legitimate circumstances for governments to maintain some barriers, such as reasons of national interest, regional development or equalization.

This modernization is part of a range of proposals to strengthen the economic union by giving Parliament "a new power to make laws for the efficient functioning of the economic union," and by harmonizing the fiscal policies of all Canadian governments, along with the nation's monetary policy.

The federal proposals suggest enhanced federal-provincial co-operation in managing the economic union through a Council of the Federation. Furthermore, the federal spending power would be controlled by ensuring that it not launch any new shared-cost program without the agreement of seven of the ten provinces constituting 50 per cent of Canada's population. The suggested changes would be flexible enough to allow any province to opt out of the program, with compensation.

We are also suggesting that the Bank of Canada have a specific, clarified mandate to fight inflation, and we want to develop guidelines with the provinces to harmonize federal and provincial fiscal and spending policies. These changes are not in any way aimed at existing institutions, such as the Caisse de Dépôt or the Mouvement Desjardins. The fact is that the federal government has already demonstrated its concern for the development of unique Quebec financial entities through its support for the Fonds de solidarité. Our aim is simply to create a domestic market that is not fragmented by internal trade barriers.

To Quebec businessmen, I throw out a challenge. You need a strong economic union. I need your suggestions which could improve the government's proposals -- I think the package is a good one. All provinces need a strong economic union. Let's work together to find a better way of reaching that common goal.

The final component of the Prosperity initiative is international trade. The Government of Canada is more than ever committed to negotiating a successful conclusion to the Uruguay Round of multilateral trade negotiations for a more liberalized international trading system.

But governments can only negotiate treaties and help with trade promotion and business development. It is up to the individual businesses to take the initiative to export. I know Canadian companies in many sectors who are already leading the way towards alliances which encompass the entire gamut of innovative trade development. Such relationships give them access to important new markets and essential marketing know-how. As the relationship broadens it can develop into the areas of investment in shared research and product development, and cross-licensing.

The partnership can then expand into co-operative marketing and manufacturing alliances which may well lead to personnel exchanges. Eventually a strong partnership can be built which can compete with the best in the global marketplace.

Given the size of the Canadian market, for many small and medium companies such strategies are not just strategic options, they are options for survival. Our goal then, must be to encourage the two-thirds of Canada's 40,000 manufacturers who do not export to seize the opportunities of the U.S. and Pacific Rim markets. We must determine the best way to give exporters and potential

exporters an understanding of market conditions, barriers and opportunities.

These are the five areas of the Prosperity initiative. These are the areas in which we must improve so we can compete effectively, efficiently and profitably in the global marketplace. Each area -- learning, science and technology, investment, domestic markets, and trade -- is important. None of the components of the Prosperity initiative is revolutionary.

What is revolutionary is the change in attitude required to build a more productive and prosperous Canada. Competitiveness doesn't just happen. It is the result of a larger political and economic structure that encourages competition. The federal government is creating that kind of political and economic structure. Driving this surge to competitiveness, forcing this thinking in new terms, is the country we have built in 124 years.

Canada is a wealthy nation. We are 32nd in the world in population, but the seventh-ranked economy. A United Nations study says we have the second-highest standard of living. Those glowing statistics mean there are few people in poverty. They mean opportunities -- real opportunities -- opportunities for meaningful, satisfying jobs with companies making a contribution to the world's economy, not jobs as drones with companies forever on the fringe of bankruptcy.

Our standard of living means a strong base for social programs, so that no man, no woman, no child goes without adequate medical care, or decent shelter or proper food. Our standard of living means money for the things that nourish our souls -- music and art and literature.

When we cut through all the talk about competitiveness, about global markets, about innovation-driven developments, we are talking about a very simple concept: its ability to compete in those global markets which provide the basis of a better life for all Canadians.

Canada is thinking in new terms about the age-old concept of creating a better life today and tomorrow. By improving our own competitiveness, by strengthening our economic union, by solving our constitutional challenges, Canada is getting ready for the 21st century. We are going to meet these challenges and will be a stronger trading partner than ever before!

Thank you.