



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 68/6

CANADA AND THE DEVELOPMENT OF WORLD TRADE

Address by the Honourable Robert H. Winters,
Minister of Trade and Commerce, to the
Export Advisory Council, Ottawa, Ontario,
February 23, 1968.

...As you may know, I returned to Ottawa just last week from a visit to Britain, Holland, Italy, Iran and India, where I headed the Canadian delegation to the very important United Nations Conference on Trade and Development (UNCTAD).

One of the great satisfactions of my tenure here has been the formation and development of this Advisory Council and the results it has achieved in helping to generate a national export consciousness.

Any government organization faces the danger of growing remote from and unresponsive to the needs of the public it serves. This body was formed to ensure that this Department does not do that. The Council is doing its job admirably well. You have provided us with wise counsel and sound recommendations. Later in the morning we shall discuss some of these recommendations and the response the Department has made to them. I hope we can satisfy you that we have treated your suggestions very seriously indeed, and I hope in turn that you are deriving satisfaction from your membership on the Council and the work it is doing.

International Trade Developments

During the Council's first year, there have been many exciting developments in world trade. You will recall our third meeting last July, which came hard on the heels of the signing of the Kennedy Round agreements. Implementation of these agreements is now beginning to take place. The first step in tariff cuts came into effect in Canada and the United States on January 1.

The World Grains Agreement is scheduled to be ratified and put into operation on July 1. In the meantime, we are in close touch with other major wheat exporters to ensure that world prices start moving up. New Canadian anti-dumping legislation in line with the anti-dumping code adopted at Geneva will, I hope, be introduced in Parliament this spring for implementation July 1.

The Government's new Adjustment Assistance Programme is available, and the Department of Trade and Commerce is participating in the administration of the Programme with the Department of Industry so far as exports are concerned.

I have said this many times before, but it bears repeating once again - the Kennedy Round tariff cuts will provide benefits to Canada only to the degree that we exploit the opportunities they have opened up. It is essential that Canadian business actively and aggressively pursue its own efforts and adapt its production and marketing plans, if and as required, to exploit these opportunities.

The interest shown by Canadian businessmen has been intense. You will recall the Kennedy Round seminars last autumn, which attracted some 3,000 participants. Since that time, officials of the Department have participated in many regional and local meetings to discuss Kennedy Round implications with business groups.

U.S. Balance of Payments

In recent weeks, there has been concern over the U.S. Government's consideration of the use of border taxes or surcharges as a measure to improve that country's balance-of-payments position. We are in close touch with the U.S. on this matter and are urging them to take the matter up in international consultations if they deem it necessary to pursue such a programme. As you know, the Canadian Government has said that it will take offsetting action if the U.S. imposes border taxes so that Canadian exporters will not be disadvantaged.

The really important thing is that we do not let any temporary balance-of-payments measures by the U.S. obscure or prejudice the gains made under the Kennedy Round. It would be disastrous if the nations of the world began backsliding into protectionism and high tariffs at a time when so much progress is being made along the road to trade liberalization.

International Conferences

Since we last met, I have represented the Canadian Government on two major international trade conferences and made official visits to 11 countries. Last November, in Geneva, along with officials, I attended the GATT ministerial meeting at which we began the work of charting our course for the post-Kennedy Round era.

I stressed the view of the Canadian Government that it is of prime importance to maintain our forward momentum and start to lay the groundwork for future initiatives towards world trade. Of course, no new major initiative can be envisaged until the United States has new trade legislation. The U.S. is now beginning preparations for such legislation and we shall be in close touch with them during this period.

At Geneva, the ministers of the countries represented agreed on directives for a new work programme oriented to future trade initiatives.

Three committees were established for this purpose - on industry, agriculture and developing countries.

As a first step, it was agreed that member governments submit lists of non-tariff barriers that impede their exports. I am seeking the best possible advice from the Canadian business community in preparing our submissions. To that end, I have written to exporters and trade associations asking their views, and I am counting heavily on the advice and guidance of this Council with respect to proposals for the future.

Immediately after the GATT meeting, I represented the Government at the Ministerial Council of the Organization for Economic Co-operation and Development (OECD) in Paris.

The paramount issue to which the ministers addressed themselves was the economic situation of member countries -- specifically their balance-of-payments situation.

We also agreed to the broad lines of a report on the question of preferences for developing countries as a common basis for member countries of the Organization at the second UNCTAD.

Before returning home, I also made official visits to the capitals of Sweden, Norway, Denmark and Finland, where I had useful discussions on furthering our mutual trade with ministers of the respective governments.

While en route to the second UNCTAD in Delhi, I had a very useful meeting in Rome with ministers of the Italian Government. The Minister of Trade and I issued a joint communiqué, a copy of which is available. Subsequently, in Tehran, I had discussions with the Shah, the Prime Minister and several ministers of the Iranian Government. The relations between our two countries are conducive to very exciting possibilities for Canadian exports and investment in Iran. We shall be discussing this in more detail later this morning.

UNCTAD

I consider the UNCTAD meetings which are still in progress at the official level to be of utmost importance. In my address to the Assembly, among other things, I said: "In this shrinking world, we cannot afford to isolate the good fortune of the few from the misfortune of the many".

We in the industrialized countries must recognize the urgent need to step up our efforts both in aid and trade with the developing world.

I reviewed the steady and sizeable growth in Canada's aid programme and re-affirmed our intention to continue this development of increased aid despite our position as a net importer of capital. I reminded the other nations that, as regards manufacturing, we are still in the early stages of growth and development and that this must be borne in mind in working out programmes for access, particularly on a preferential basis.

I described our role in attempting to strengthen international commodity agreements for sugar, coffee and cocoa and our proposal at the GATT for a concerted move by industrialized countries to provide free entry on tropical products. While this objective was not achieved, a start has been made and in Canada we have eliminated tariffs on several of these products and reduced others substantially. I alluded to our special interest in the countries of the Commonwealth Caribbean.

The problems faced at UNCTAD are complex and difficult. The idea of tariff preferences for developing countries will probably receive support in principle, but great care must be taken in setting up any preferential scheme to ensure broadly equivalent opportunities to all developing countries and take into account the effect which such preferences may have on the exports of third countries. The impact of preferential imports should also be fairly spread amongst the developed countries.

Canada's Trade Position

Turning to the domestic scene, I am happy to note before this Council the achievement by a good margin of our centennial year export target of \$11½ billion. Canadian exports for 1967 were \$11.4 billion - more than \$1 billion above the \$10.3-billion level achieved in 1966.

The 11 percent increase was in line with the export growth trend of the previous five years, and was particularly creditable in light of an early year slowdown in the U.S. economy and the slower tempo of activity in Europe.

Canadian imports also rose in 1967 - by some eight per cent - but the even sharper rise in exports resulted in an increase in our trade surplus from \$½ billion to more than \$½ billion.

This year's export target of \$12.3 billion calls for a further \$900-million increase over 1967. While a little less than the actual increase achieved last year, this nevertheless presents a tough challenge to Canadian exporters.

A major positive factor in the outlook is increased business tempo compared to a year ago in both the United States and Germany.

On the other hand, the Japanese economy, though still moving ahead, is losing some of its momentum. We cannot reasonably expect to duplicate last year's huge 40 percent increase in our exports to that market.

Devaluation has meant stiffer competition in Britain, here and elsewhere for Canadian products that compete with goods made in Britain or in other countries which devalued. However, the bulk of our products sold in Britain have not been adversely affected by devaluation. Thus, total exports to Britain may hold close to the levels which have prevailed since 1964.

Cross-border trade in automotive products continues to expand but the growth in exports this year will likely be much less than the \$4-billion increase of 1967.

Wheat sales weakened markedly in the latter part of 1967 and sales will be no higher and, in fact, may be lower this year. I anticipate sales of between 350 and 400 million bushels, but it will take hard selling and some favourable circumstances to enable the Wheat Board to achieve the 400-million-bushel figure. Recently, however, there are signs of a healthier market, and we are pushing against all doors.

On the positive side, exports of forest, metal and mineral products as a whole should show good increases this year.

However, it is clear that, if we are to meet the \$12.3-billion target, we are going to have to continue to make major gains in exports of manufactured goods. And this is going to require a quick and vigorous response to Kennedy Round opportunities, as well as strong efforts to contain the still-persisting upward pressures on costs and prices.

Trade-Promotion Programmes

This subject is on the agenda for discussion later this morning. Since we are approaching the start of a new fiscal year with a recently revised Departmental organization and with fresh infusions of funds to carry out our trade-promotion programmes, I should like to highlight for you briefly something of the major thrust of our promotion plan for 1968.

Financing and Aid

One area in which we are making particular efforts to improve and streamline our operation is in our facilities to provide financing and our activities related to external aid. The existing Financing and Aid Division has been transferred to the Trade Promotion wing of the Department and has been expanded to the status of a branch reporting directly to the Assistant Deputy Minister (Trade Promotion).

As you know, a detailed review is now being carried out, with the assistance of Mr. J. Douglas Gibson, of the availability, cost, terms and conditions of financing from official and private sources in support of export. We anticipate the need to make certain amendments to the Export Credits Insurance Act and to introduce other measures to ensure that Canadian exporters are supported by adequate and competitive financing facilities. We have very much in mind the broad range of trade-promotional measures, including new financial supports, at present being contemplated in the United States.

Our officials were authorized recently to take the initiative in bringing foreign-investment opportunities to the attention of Canadian firms where this appears to be in the national interest and to provide assistance as necessary. We are, in addition, exploring a number of new techniques to

encourage Canadian private investment in developing countries, including a facility to insure such business against certain non-commercial risks not encountered in domestic investment.

Work With Associations

During 1968, our promotional efforts will be concentrated more than ever before on a close integration of Departmental interests with export committees of trade associations. This, of course, will not be at the expense of our continuing service to individual firms.

As you know, our efforts to encourage industries to set up export committees - a recommendation of this Council - have met with considerable success. As of the first of this month, 27 new export committees are being formed following on the letter I wrote to all major trade associations. This is in addition to the 30 associations already organized for export.

Our work with associations will concentrate on: Providing a focal point for transmitting information to the largest number of firms in specific manufacturing sectors; making more firms aware of new export opportunities, particularly in the U.S. market; encouraging trade associations to formulate their own export-promotion programmes, to which we can apply our own expertise and assistance.

What with our efforts to develop closer ties with industry associations and our follow-up work providing information on the Kennedy Round, we are going to have more officers "on the road" working with industry this year than ever before in our history.

Promotional Support

Last year, one of our most successful promotional ventures was Operation Export 1967. You may be interested to know that, to date, over \$22 million of new export business has been directly attributed to Operation Export, of which \$17.5 million was by exporters new to the market when the business was written. Our posts are still investigating the market for over 5,000 individual enquiries.

This year, we shall continue in other ways to develop more awareness and use of our services to exporters: The toll-free Zenith telephone arrangement, which drew thousands of calls to our regional offices in 1967, has been updated to Zenith 0-1968 and will be carried on through this year. An advertising campaign stressing the partnership of business and government in export promotion will run in major national and regional business publications. A new film depicting the role and services of the Department will be available in about a month's time for showing to business groups. A new procedure for reporting in the Department's magazine Foreign Trade, based on an examination of the priorities of Canadian trade opportunities and the need for foreign market information, has been developed. This will make the publication more effective in communicating business opportunities to Canadian exporters.

Trade Fairs and Missions

A new programme of trade-fair participation has recently been approved. Participation in 78 fairs is planned during the 18-month period from January 1968 to June 1969.

A new programme of 35 trade missions will go into effect April 1. This year's programme will strike a good balance between outgoing missions of Canadian businessmen (20) and incoming missions of foreign buyers (15). During centennial year, of course, our emphasis was primarily on the incoming type of mission.

External Services

Our plans for establishing new posts abroad, particularly in the EEC, Eastern Europe and the Pacific-rim countries, have unfortunately had to be postponed in light of the Government's recent measures to restrain expenditures. However, the work of continually improving the services of existing posts continues. The review of the role and function of our offices abroad in promoting Canadian consulting services is nearing completion. Revised guide-lines will be issued to ensure that all trade commissioners are performing the required functions in this important area. Progress is being made in developing and refining trade-promotional planning and budgeting systems adaptable to a highly decentralized foreign service organization. The application of these accepted management techniques will help ensure maximum return on the resources invested in overseas operations.

Conclusion

I have tried in a few minutes to sketch some of the current world-trade developments and something of our responses to them.

I think we have some good programmes going for us in 1968....

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