

# STATEMENT DISCOURS



NOTES FOR A SPEECH BY THE  
HONOURABLE CHARLES LAPOINTE,  
MINISTER OF STATE  
(EXTERNAL RELATIONS),  
TO MEMBERS OF COMMERCE  
MONTREAL INTERNATIONAL,  
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Let me begin by telling you how pleased I am to be here today. First of all, I have always enjoyed dealing with the concerns of business - I recognize some of you from my days as Minister of State for Small Businesses and Tourism. Secondly, this gives me an opportunity to reaffirm the priority being given to the expansion of trade, both in the government as a whole and in the Department of External Affairs. My recent travels as Minister of State for External Relations have confirmed in my mind that our priorities are correct: the potential for expansion to outside markets is real and considerable for dynamic businesses that have the ability and the know-how to provide innovative products and services at the best price.

I am one of those who believe that it would be extravagant to say that significant bilateral political relations could be developed without the existence of solid trade relations or the possibility of developing them. It was with this in mind that the government decided last year to reorganize the Department of External Affairs. And it is on the basis of this that we always give due importance to our economic and trading interests when we draft foreign policy.

This is a normal course to pursue when one considers the importance of international trade for our country's economy. Canada's merchandise trade surplus remains one of the few bright spots in an economic performance coloured until quite recently by a world recession. Trade provides a basis for investment and employment, two priorities in Canada. One can imagine what our overall performance might have been should this sector have fallen short.

As you know, our exports account for almost one-third of our total GNP. Of the major industrialized countries none is more dependent on foreign trade for its economic well-being than Canada. Trade employs more than 2 million Canadians in the production and distribution of goods for export. In 1982 Canada recorded a record merchandise trade surplus of \$17.8 billion. Significantly, we experienced only a marginal drop in exports in spite of the international recession. There was a large decline in imports, reflecting weak domestic demand. As a result we turned a traditional deficit in manufactured goods into a surplus of \$4.4 billion.

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The United States is still our most important trading partner, accounting for two out of every three dollars of our exports, and it will continue to be our major market. However, continued protectionist leanings in Congress could limit access to the US market and Canada's trade would suffer considerably as a consequence. In all fairness, I must say that yesterday's decision concerning access for Canadian timber to the American market will dispel some of the uncertainty that existed. However, this does not mean that we will no longer have to increase our exports and to diversify our markets. We started doing this in 1971 with the "third option." More recently, we began the painstaking exercise of seeking out markets of opportunity in the light of our production capacities, and preparing marketing plans for use by firms wishing to pursue these opportunities. To date we have prepared and distributed plans for Mexico, Australia, Korea, Brazil, Norway and Japan. We are currently working on similar plans for France, West Germany, Saudi Arabia and Venezuela. Others will follow. The department has of course produced other studies and documents that might be useful to you, regardless of the area in the world where your activities lead you.

When we consider market diversification, the developing countries should receive our attention, both because of the great capacity to absorb imports of some of them and because of the high growth potential of others. In 1982, for example, Canada's exports to Africa and to Asian countries, other than Japan, increased to \$9.1 billion. This was 12 percent above 1981 levels.

According to World Bank estimates, developing countries will contribute over a quarter of the increase in world production between 1980 and 1990, and will account for nearly 30 percent of the increase in world trade over the same period. As you are aware, investments by newly industrialized nations in infrastructure, industrial plants, social requirements and agricultural developments will provide opportunities to many Canadian exporters.

The Canadian program of aid remains a critical input in support of efforts of less developed countries to promote growth and development. Too often this aid program, which amounts to some \$1.5 billion this year, is seen only to be an expression of our country's generosity, but a loss to the Canadian economy. This is actually not true. The Government's commitment of 0.5 percent of the GNP aid serves both developmental and commercial purposes.

Our aid program is a unique means of opening new markets for our products and technology. In many Third World countries, this same program has carved out a place in the market for Canadian capital equipment. I am thinking, for example, of companies like Bombardier, Marine Industrie and Spar Aerospace. Consulting firms such as SNC, Lavalin,

Gaucher-Pringle-Carrier and CEGIR have used the aid program as a springboard to increase and diversify their activities in the developing countries. And the names of the Quebec companies that I cited among the beneficiaries of the aid program were not there by accident. Some 40 percent of the service contracts signed in Canada by CIDA are awarded to companies located in the greater Montreal area.

Canadian contributions to the World Bank and the regional development banks, which are also an integral part of the aid program, provide favourable conditions for Canadian companies bidding on large multilaterally financed projects. And I can assure you that we still have some distance to go before we obtain a significant share of the enormous financial potential that these projects represent.

In general then, our export companies have been helped in a direct and significant way by Canadian aid. This will continue. Recently, the federal government has made decisions aimed at making the aid program even more relevant and more useful to business. We agreed to allocate 20 percent of our assistance to the medium income countries in which the trade opportunities are seen to be the most attractive. These sums are made available to either lessen the burden of financing when products or services are purchased from Canada - often in the case of projects in which funds are being provided in parallel by CIDA and the EDC - or to defray the cost of technical assistance that normally goes along with the purchase of capital equipment, when such assistance is not absolutely essential. Moreover, a program of industrial cooperation has been set up to encourage Canadian companies to introduce joint stock companies in the developing countries or to pursue projects funded by multilateral organizations like the World Bank or the Arab Fund. This program provides funding for studies costing up to \$250,000, organizes investment missions and provides technical assistance to the commercial and industrial sectors of the developing countries. An application under this program has also been submitted by Commerce Montréal International, or CMI. I am very pleased to see CMI investing on an international level. We are ready to support any request for specific activities that might arise in conjunction with this.

Notwithstanding all this, it would be misleading to say that exporting is easy. The competition on the international markets is intense. Let us not fool ourselves. Export trade is no less attractive to our competitors than to us. You know better than I that the list of our competitors grows longer year by year. To be successful, exporters need to make commitments of resources, both financial and human, for many years and to vigorously pursue markets that they have identified accurately and in which they have closely watched the development and cost prices.

The commitment of this government to export market development was confirmed in the budget of April 19. Allow me to name the measures relating specifically to it:

- The overseas employment exemption from taxation was liberalized to improve the international competitive position of Canadian companies. This measure, which will considerably reduce personnel costs, should encourage our consulting industry and others to work in the developing countries.
- The Program for Export Market Development (PEMD) was enhanced by increasing its funding by \$20 million over the next four years from its present annual budget of \$22 million. Through this program the government shares on a fifty-fifty basis with the private sector the cost of identifying and pursuing export market opportunities.
- The creation of a Special Recovery Export Financing Fund of \$180 million to enable to Export Development Corporation to finance certain projects that it might not otherwise be able to because of funding constraints. This in addition to new programs established by EDC to assist small and medium businesses.
- Tariff rates were lowered on some \$10 million in annual imports from developing countries, under the General Preferential Tariff. This is in keeping with our pursuit of an open and just international trading system in which trade is a two-way street.

I referred to the new programs of the EDC. Central to these is their "forfeiting program" which improves the cash flow of small firms by discounting promissory notes with private banks, and its mixed credit facility, which was established to provide export financing at very low lending rates to match offers by Canada's competitors. The first use of this facility enabled Bombardier Inc. to secure a large contract for the sale of \$100 million in subway cars to the transit authority of Mexico City. Not wanting to give away any secrets to our competitors, I will refrain from providing details on certain contracts in which such financing is now being offered. The papers will soon contain news about some fine projects that will be obtained through this program.

The Government actively seeks export market development. To achieve this, we work closely with the provincial governments. Federal trade officers abroad, in Ottawa and in the regions are prepared to assist you in identifying markets and potential buyers. The trade commissioner service, the Department of External Affairs' overseas arm for trade matters, has recently been expanded to

help bring Canadian exporters into contact with foreign buyers. They also act as consultants in all phases of international marketing. A useful complement to the trade commissioner service, particularly for exporters who are just starting up or who do not feel that they are strong enough financially to have a full-fledged export division, are trading houses. They conduct a wide range of activities and they all possess a specialized practical knowledge of foreign markets. Their areas of market research expertise have been included in a Directory of Canadian Trading Houses to assist you.

In another vein, it is clear that the future of Canadian trade is largely dependent on the general economic climate and on the orderly operation of the international trading system. The recession has created heavy protectionist pressures, both in Canada and among our main trading partners. The crisis of indebtedness in many developing countries has resulted in the discontinuation of markets that until very recently were among the most dynamic. A revival of trade and the strengthening of the free trade system are key elements in economic recovery.

The ministers who met at the OECD a few weeks ago agreed on the necessity of taking advantage of the favourable conditions created by the recovery now under way to reverse the protectionist tendencies and to begin to progressively dismantle the restrictive measures necessitated by the recession. The Williamsburg Economic Summit scheduled to begin in a few days will also deal with the problems that confront international trade, by seeking to determine how these problems can be dealt with in a way that will bring lasting economic recovery and resolve the problem of indebtedness. The latter is a question of very current interest and was the subject of a recent meeting between the commerce and finance ministers of the Summit countries. No doubt it will be central to the debates of the sixth session of the United Nations Conference on Trade and Development, to be held in Belgrade in June.

These international meetings must produce more than statements in principle about the virtues of free trade. It is in the interest of our great trading nation that they lead to a concrete and realistic process by which to strengthen the multilateral trading system essential to our growth and prosperity.

In conclusion, let me say that this brief discussion of the main parameters that determine the Canadian trade environment and of the services provided by the government concerns only one facet of the question. The government is committed to developing foreign trade, but without a dynamic effort on your part there will be no improvement.

I can assure you on my part that my colleagues and I will spare no effort to support your companies should you have to deal with the authorities of other countries. Many of you can testify to this. I will expect that you will continue to seek greater productivity, efficiency and competitiveness at home and abroad. All conjecture aside, this is still where our main potential for successful exporting lies.