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Statement by the
Honourable James Kelleher,
Minister for International
Trade, to the Canadian
Export Association

MONTREAL

October 7, 1985.

I want you to know that I don't usually talk at dances. In fact, the band only agreed to let me in front of a microphone on the condition that I promise not to sing. I promise.

I also promise that I won't be up here very long, because in my opinion anybody who would rather listen to a speech than dance is missing the beat somewhere. But Frank made it very clear to me that he expects me to speak, and I never question his judgment. Besides, I have some things to talk to you about.

The subject obviously is trade. Specifically, it's the initiative we have taken to explore the scope and prospects of a new trade agreement with the United States. I want to put this initiative in context, and tell you why we have taken it and what we hope to gain.

For you as exporters, trade means business. For Canada as a whole, trade means growth, and growth means jobs. The economic well-being of all Canadians depends on our ability to sell our products and services in the markets of the world.

Your interests, in other words, coincide with Canada's interests, and your Government in Ottawa knows that very very well. In the year this government has

been in office, we have been moving quickly and decisively to improve Canada's trade performance.

We have undertaken three major export promotion campaigns, including Market-place 85 back in March and Canada Export Trade Month, which is going on around us right now.

We have worked with the governments of all ten of Canada's provinces to put in place a national trade strategy. It will provide, among other things, better coordination between the federal and provincial governments, more provincial representation in our trade offices abroad, and a data base that can provide exporters up-to-date information on export markets and opportunities around the world.

Trade was a very important part of the First Ministers Conference in Regina in February, and it will be on their docket again in Halifax next month.

We took a major step forward at the Quebec City Summit Meeting, where our Prime Minister and the President of the United States agreed that our two countries should do all in our power to reduce the trade barriers between us. And since then, I have spent literally months consulting with Canadians of all walks of life and in all parts of

the land on Canada's options for securing and expanding our trade with the United States. I even listened to Frank Petrie on the subject.

Our efforts have not been directed exclusively toward the United States. Far from it. We have been studying how we can make our PEMD and PPP programs more effective. We have been working actively to get the world's major trading nations to begin another round of Multilateral Trade Negotiations -- it would be the eighth, by the way. The preparatory process began successfully last week in Geneva and we now hope negotiations can begin some time next year.

In addition, we have just launched a major new trade initiative in the Asia-Pacific area. The Government is committing an additional \$6.5 million this fiscal year to beef up our trade representation in the Pacific Rim. Here are some of the things the extra money will go to:

- We are opening a Consulate General in Osaka which will be heavily oriented to trade and the acquisition of technology.
- We are sending four

more Trade Commissioners to China (in addition to the six we have there now) and we will be opening Canada's first Consulate in Shanghai before the of the year.

- We have started work on a score of special projects throughout the Asia-Pacific area, including trade fairs, trade missions, feasibility studies and market studies, and we are considering the merits of several other projects.

But of all the steps we have taken to improve our trade performance, by far the most significant is the decision to explore directly with the United States Administration the scope and prospects of a new bilateral trade agreement.

This is not a step we took blindly, or precipitously. It was certainly not a "leap of faith." The decision to start exploratory talks with the Americans was taken on the basis of all the consultations that I and many others have held, on the basis of all the studies we have had prepared -- and

we have them wall to wall --, on the basis of all we have learned in a year of grappling with the problems and challenges of our trade performance.

We have prepared the ground with great care. In concert with the provinces and the private sector, we have established our objectives and priorities.

What we have not done is broadcast a list of what is negotiable and what is not. We have not and we will not. In negotiations, like in poker, you don't show the other side your hand. If we were to go around telling everybody just what our negotiating strategy will be, it might silence some of our critics here at home -- but it would most certainly undermine our bargaining powers once the negotiations began.

But let me remind you this will be a trade negotiation and as the Prime Minister stated in the House of Commons, September 26th and I quote: "Our political sovereignty, our system of social programs, our commitment to fight regional disparities, our unique cultural identity, our special linguistic character

- these are of the essence of Canada. They are not at issue in these negotiations. They will be stronger in a Canada made more confident and prosperous from a secure and dynamic trade relationship with our biggest customer and with all the world".

We have taken one other important step to prepare for the talks. We have established the framework of a permanent International Trade Advisory Committee, to be drawn from the private sector. This committee will be headed by Walter Light, Chairman of the Executive Committee of Northern Telecom, and some of you here tonight will undoubtedly be on it. The advisory committee has got one of those marvellously bureaucratic acronyms, ITAC, and it will have 20 or so sectoral advisory groups that will be known as SAGITs. The people on these committees will work closely with us throughout our talks with the United States, and indeed on all important trade matters. ITAC, Walter Light's committee, will begin its work next month. And yes, it will play a part in refining our negotiating hand.

It should be no surprise to anyone in Canada that we are paying so much

attention to the United States. I think everybody knows now that the U.S. is our biggest customer. It buys three-quarters of everything we sell abroad. Its business provides nearly a quarter of every dollar we earn and keeps more than two million Canadians at work. And when you sell that much to one customer, and when that customer keeps calling your complaints department, you'd better start paying very close attention to his case.

Our access to the American market is now in serious danger of being eroded. The Americans, and in particular the Congress, are getting more protectionist by the day. They keep coming up with new ways to keep our products out. This summer, for example, four Western states slapped a prohibition on our pork on the excuse that our pigs were being fed an antibiotic they didn't approve of.

Or take lumber. Americans buy more than half of all we produce, and 60,000 Canadian jobs depend on their continuing to do so. But there are three separate bills now before the Congress that would restrict our sales of softwood lumber. That puts a lot of jobs in jeopardy.

This is just a sampling. Canadian steel is under recurrent threat. So

is sugar. And fish. And salt. And uranium. And raspberries. And blueberries. And on and on. There is even talk in the United States now of imposing a surcharge on all imports, and that would be a severe blow to all of our economy. It has been estimated that just a 10% reduction in our exports could throw a quarter of a million Canadians out of work.

The immediate concern of your Government in exploring trade talks with the United States, therefore, is really quite simple. We can't afford to lose the business, and the arrangements we've got now are just not good enough to keep it. We need something better, just to preserve Canadian jobs.

But that is not all. A better, fairer, more open trade arrangement with the United States would create new jobs, and better jobs. It would encourage new investment, not only foreign investment but investment by Canadians as well, and that would build our industries and make them more competitive throughout the world. We would, in other words, be selling more products not only to the United States but throughout the world. Because we would be more competitive.

There are, as you

in the Canadian Export Association know better than anyone, a great many Canadian producers who relish the challenge of greater access to a market of 250 million people. They are confident about their capacity to compete in a more certain North American environment. They have confidence in their capacity as managers and in the skills, know-how and diligence of their workers.

The government wants these firms to flourish. We know that this is a more promising avenue to growth and employment than bailouts -- or taking a plunge into our own brand of protectionism.

So much for the importance of the initiative. Let's look for a moment at our objectives.

In broad terms, I see them as follows:

First, to save jobs in the short term and to create jobs in the medium and long term.

Second, to create a stronger economy in all regions of Canada.

Third, to stimulate balanced growth and job creation throughout the nation.

Fourth, to allow all Canadians to share in the benefits of this national effort.

Fifth, to strengthen the economic basis of our cultural sovereignty.

Sixth, to secure and enhance our access to the U.S. market by designing a better set of rules whereby our trade is conducted and disputes can be settled.

And seventh, to develop a more predictable environment for trade and investment.

Those are the objectives we would aim for in negotiations with the United States. To achieve them we would seek an agreement that would secure our market access, enhance that access and, finally, enshrine it.

Let me spell that out, too.

We would attempt to secure our market access by seeking relief from the protectionist effect of U.S. trade remedy laws -- so that Canada would no longer get side-swiped by measures aimed at others. We would also try to get a rigorous limitation on the degree and

duration of measures which might affect Canada.

We would also aim for clear and reciprocal definitions of countervailable financial assistance programs -- subsidies to industry, agriculture and fisheries. In other words, an agreement on better rules to govern trade flows.

Next, to enhance our market access, we would attempt to obtain more open access to the Federal and State procurement markets in the U.S. These are worth upwards of half a trillion dollars a year, and we can certainly compete for some of the business.

We would also seek broad trade liberalization through a package of mutually beneficial reductions in tariff and non-tariff barriers. Not all at once, but over a reasonable period of time -- say ten years -- and accompanied by adequate transition provisions on both sides. Lower barriers, I might add, would give Canadian industry access to lower-cost inputs. That by itself would improve the competitiveness of our economy.

Finally, to enshrine our market access, we would seek a strong dispute settlement mechanism, so as to

neutralize the disparities in size and power and to provide fair, efficient and conclusive solutions to the differences between us, differences that are bound to arise just from the amount of business we do with each other.

And we would put the whole package in the form of a treaty or a Congressional-Executive Agreement, so as to enshrine our mutual obligations and offset the differences in our two systems of government.

Just about a month ago, the Macdonald Commission issued its report on the Canadian economy. The Commission, as you know, called for trade negotiations with the United States as a matter of urgency. But it also called for a posture of permanent vigilance as the negotiations proceed. I can assure you that we will be ever vigilant.

We will not conclude an agreement which diminishes Canadian sovereignty. Our sovereignty is not negotiable. Our cultural integrity is not negotiable. Not now. Not ever.

More specifically, our medicare system and our fundamental social programs are not open for

discussion. They are our business, and nobody else's.

During the years since World War Two, Canada has been actively working to bring down trade barriers throughout the world. We were a founder of the GATT. We have been a leader in the seven rounds of multilateral negotiations held under its auspices. Each new round has brought some barriers down. Each new round has given us real and measurable benefits.

Back in 1960, for example, our exports to all countries accounted for only 12 percent of our national income. Last year, exports brought us nearly three dollars out of every ten we earned.

And what has happened to our sovereignty during these years? It has flourished and matured. As our economy has grown and our prosperity increased, so have the institutions that give us our unique Canadian identity: our health care and educational systems, our social insurance, our equalization programs. We have supported and fostered a vibrant cultural community. We have been able to build institutions and programs which reflect our own values and attitudes.

As our trade barriers have fallen, our confidence has risen, in ourselves and in our country. We have evolved and matured as a nation.

No one can say for sure whether the initiative we have taken with the United States will eventually bear fruit. It is possible that we will find the Americans' price too high -- or they ours. We should not kid ourselves into believing that the negotiations will be easy. They won't. The Americans are hard bargainers. They are horsetraders, just like we are.

But nothing is ever certain in this world -- except, perhaps, that you never get anything unless you go after it. In my view, and that of the Government, we owe it to the Canadian people to go after it. Certainly not as a "leap of faith". But with our eyes wide open, and with our homework done.

Thank you.