

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

93/39

AS DELIVERED

AN ADDRESS BY

THE HONOURABLE MICHAEL WILSON,

MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND

MINISTER FOR INTERNATIONAL TRADE,

TO

THE SOCIETY OF INTERNATIONAL BUSINESS FELLOWS AND

THE CANADIAN AMERICAN SOCIETY

OF THE SOUTHEAST UNITED STATES

ATLANTA, Georgia
May 24, 1993

Good afternoon. Thank you for that kind introduction.

The Canadian American Society of the Southeastern United States has been working to enhance trade relations between Canada and the United States for more than a decade now. The Society of International Business Fellows -- the leading international business organization in the southeastern United States -- is to be congratulated for its efforts to promote international curricula at your colleges and universities, and broadening understanding of international business and the international environment.

Let me begin by saying a few words about two major milestones in Canada's national life. Three weeks from now my party -- the governing Progressive Conservative Party -- will choose a new leader and therefore a new Prime Minister of Canada. Before the year is out, that new Prime Minister will have to call a general election.

As we approach these milestones, let me first try to give you some sense of what Canada has accomplished in the past few years, and where we are going, so that you -- our allies, our investment and trading partners and our friends -- will know what you can expect.

When Prime Minister Mulroney steps down in June, he will bring to an end a remarkable tenure. I think the *Washington Post* summed it up well in an editorial back in February. It said:

With notable courage, Brian Mulroney did most of the things that a Prime Minister of Canada ought to do. He raised taxes to reduce a menacingly large budget deficit. He struggled to resolve Quebec's long quarrel with the rest of the country. He negotiated a sweeping trade agreement with the United States, resulting in a rapid rise of trade across the border.

Through policies such as expenditure control, deficit reduction, tax reform, deregulation, privatization and trade liberalization, the Agenda for Economic Renewal that our government introduced in 1984 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. And whoever wins my party's leadership on June 13, it will not be lightly or soon abandoned.

When we came to office in 1984, Canada's debt was hardly seen as a consideration in public policy debate. One result of the Mulroney government's continuing effort to control spending is that today the debt and deficit are constant considerations in any such debate at all levels of government.

Indeed, federal government operating costs, after inflation, are today more than 20 per cent lower than when the Mulroney government came to office. In fact, the federal government is actually running a surplus on its operations, net of debt servicing costs.

And by law, every penny of our Goods and Services Tax -- our equivalent of the European value added tax -- is used only to pay interest on the debt and, ultimately, reduce the debt.

When I left the Finance portfolio just two years ago, provincial governments showed no inclination to work toward a co-ordinated national solution of this problem. Today, Canadians are challenging each level of government to live within its means. And there are clear indications that, no matter what their political persuasion, all governments in Canada are listening to Canadians in this regard. This will not change.

All political parties, all Progressive Conservative leadership contenders and all provinces are showing strong commitment to dealing with this matter.

We have put the recession behind us. We have had a positive growth trend since the second quarter of 1991. There are strong indications that the Organization for Economic Co-operation and Development (OECD) will prove correct in predicting that our growth in gross domestic product (GDP) will lead the Group of Seven (G-7) leading industrial countries in 1993. Canada's prime rate is at its lowest in 21 years, mortgage rates are down, Canada's inflation rate now compares favourably with historic standards as well as the G-7.

Few countries in the world are as dependent on trade as Canada. Nearly 30 per cent of our GDP stems from international trade, double or more the comparable figures for Japan and the United States. Without trade, Canadians could never have built the world's eighth largest economy with just the 31st largest population. But that is what we have done.

As a founding member of the General Agreement on Tariffs and Trade (GATT), we have, since Punta del Este, made a successful conclusion to the Uruguay Round our number one trade policy priority. And there is widespread national consensus on that issue, which unites all regions of the country, cuts across party lines and will survive both leadership changes and general elections.

You, here in this room, understand what is at stake in the Uruguay Round. You know that the global economy is still recovering from a significant downturn, which still affects many countries. And you know that the economy needs a boost -- a new direction -- which will lift it out of its current doldrums.

According to the OECD, implementation of Director General Arthur Dunkel's proposals would add \$200 billion to \$300 billion to the world's economy by the end of this decade. A successful conclusion to the GATT Round would send a message of confidence, communicating our strength of purpose to bring the benefits of freer trade to all the world's peoples.

Ten days ago, in Toronto, I hosted an informal meeting of my colleagues -- Michael Kantor from the United States, Sir Leon Brittan from the European Community and Yoshiro Mori from Japan. We had a very positive day of discussions on market access negotiations in the Uruguay Round -- covering trade in both goods and services. The purpose of our meeting was to seek to lay the basis for reengaging the multilateral negotiations at Geneva as soon as possible.

We expect to meet again on at least two occasions leading up to the G-7 Summit in Tokyo. The first of these meetings will occur in Paris on June 2 during the annual Ministers' meeting of the OECD. It is anticipated the second meeting will take place on or about June 24 in Japan.

We hope this process leads to a significant breakthrough among ourselves on market access in time for the Summit -- enabling all other trading partners to reengage fully in negotiations at Geneva covering all outstanding issues.

We are agreed that we want to achieve a positive outcome to the Round this year.

Let me say a few words here about trade and investment between Canada and the southeast states as well as the United States in general.

Two-way trade between Canada and the seven southeast states neared \$20 billion last year. Your sales to us totalled some \$11 billion. Ours to you were about \$8 billion. Last year, five million Canadian visitors spent about \$2.3 billion in the region.

Sales from the Ford plant here in Atlanta are just one example of the continuing benefits our two countries derive from this trading relationship. Automotive-related sales from Georgia to Canada were worth more than \$150 million last year.

Lockheed's operations in Atlanta have made hundreds of millions of dollars in sales to Canada. At the same time, through offset arrangements, Canadian firms have benefited from high technology sales to Lockheed which, again, are in the hundreds of millions.

Some 139 Canadian-owned companies of all kinds now have operations in Georgia. About 30 U.S. companies in Georgia have

investments in Canada -- ranging from heavy industry to consumer retailing.

I was interested to learn recently that National Vision Associates Ltd. of Atlanta will open 160 vision centres at Zellers stores, one of Canada's largest retail companies.

Investing in Canada makes good business sense.

We offer investors:

- centres of excellence;
- a supply of highly qualified personnel;
- an emerging technology base;
- research and development tax credits;
- transportation and telecommunications infrastructure;
- proximity to U.S. markets;
- a strong export orientation; and
- a world-class university system.

Foreign investors now see Canada as an attractive base for their North American operations, thanks to our highly educated work force, sophisticated infrastructure and abundant resources. Over the past four years, our net foreign investment inflow was up nearly fivefold to \$19.8 billion. With the North American Free Trade Agreement (NAFTA), these companies will secure access to Mexico along with even better economies of scale in serving a combined market of 360 million.

A recent study by the Government of Canada on trade patterns in the past 30 years shows merchandise trade between the United States and Canada has grown faster than either country's gross domestic product.

Significantly, over the past 10 years, both countries have increased their share in each other's markets. Despite a decline between 1985 and 1988, U.S. manufacturers have staged a comeback in the Canadian market. Non-transportation manufacturers saw their share of the Canadian market grow from 18 per cent in 1986 to a record 21 per cent in 1991. Canadian manufacturers, too, have reached an all-time record share in your markets. It is worth pointing out that these records have been reached since the Canada-U.S. Free Trade Agreement (FTA) has been in effect. Simply put, free trade expands trade.

Clearly, the FTA has been a win-win situation for both countries.

During a difficult economic period, total two-way trade in goods and services between our two countries increased by 16 per cent under the FTA. Trade between Canada and the United States reached \$227 billion in 1992 -- the largest two-way trading

relationship in the world. Many Americans -- and Canadians alike -- are still surprised by the magnitude of this relationship.

Moreover, it is a relationship that is balanced. Canada enjoys a merchandise trade surplus with the United States while the United States has a positive current account balance with Canada, thanks largely to Canada's trade deficits in tourism and business services.

The Free Trade Agreement has not made the Canada-U.S. trade story an entirely harmonious one. There continue to be frictions, as you might expect in the world's largest trade relationship. We have serious problems now in steel, beer and softwood lumber.

But thanks to the FTA, we are in the enviable position of being able to address our differences through what has proven to be a transparent, fair and equitable dispute settlement mechanism. And this mechanism has been strengthened in the NAFTA.

During the months of negotiating the NAFTA, we learned a lot about free trade and fair trade. Too often, what constitutes fair trade remains in the eye of the beholder. Restrictive trade barriers exist in both our countries. We need to reduce and eliminate those barriers. You have the Buy America Act and the Small Business Set Aside. We have interprovincial trade barriers. But I am happy to report that the Government of Canada is taking part in comprehensive discussions with the provinces to eliminate those barriers and allow greater competition, through a sort of internal NAFTA, if you will.

Canada is committed to the NAFTA. Our Parliament is well advanced in its consideration of legislation to implement the agreement, and it is our government's intention to have the required legislation in place before summer.

We have before us the prospect of concluding side agreements, which would result in unprecedented co-operation in the fields of labour and environment. These agreements would be beneficial for each country and would be good for North America generally. We do not want to lose this opportunity.

The negotiations on side agreements are a chance to make real gains for the environment and for our workers. But the agreements have to work. We have to get them right.

That is why Canada firmly believes that these negotiations ought not to jeopardize, in any way, the benefits to be gained from creating an integrated market of 360 million consumers in North America.

The NAFTA brings down trade barriers among our three countries. Now we must be careful not to erect any new barriers to trade in

these side agreements. Otherwise, we will be allowing a pall of protectionism to overshadow the benefits of this accord.

The threat that protectionists in all three countries could hijack the process and harass their competitors with trumped-up charges would inject uncertainty into the NAFTA trade area, eroding the very confidence and predictability that the NAFTA was designed to create.

It is simply not in anyone's best interest to consent to a system where trade sanctions are used to enforce the agreements. We are confident that a more positive and co-operative approach is preferable and will best serve our objective -- to encourage each party to improve and enforce its domestic labour and environment standards.

All three countries agreed that the NAFTA would be implemented on January 1 next year. While there are many areas of agreement among the NAFTA partners, there are also serious differences. We are confident, nonetheless, that outstanding differences respecting these side agreements can be resolved in the coming weeks.

In many respects, you are experiencing for the first time -- with your internal debate over the NAFTA -- the debate that engaged Canadians several years ago when we negotiated the FTA. In Canada, the critics predicted nothing short of economic calamity, replete with downward pressure on Canadian wage and benefits packages, the demise of Canadian culture, the loss of sovereignty over water resources, the unavoidable lowering of our environmental standards, the destruction of our social services, including Canadian medicare, and the elimination of entire sectors of Canadian industry.

Four years later, Canada's merchandise exports to the United States are up 19 per cent, and U.S. merchandise exports to Canada are up 18 per cent. As I said earlier, it's a win-win situation for both countries. Our social services remain intact. Your government is studying our medicare system. Canadian culture is alive and well. Environmental standards have improved. And I have not seen one American claim FTA rights to import a Canadian lake or river.

The lesson is obvious. NAFTA opponents, like the FTA critics before them, argue from a false premise: they think removing walls that protect and segregate markets will force unacceptable harm upon workers, whereas by leaving walls up, harm will be minimized. They are wrong.

The reality is that unavoidable competition is already hard upon us in North America. The NAFTA merely imposes a framework of

fair rules upon competition from which there has been no place to hide for some time.

In other words, the NAFTA promises a more gradual adjustment and greater stability than would otherwise confront employers and workers in the long run.

The real question, then, for all three countries is: Would we be better off without such a mutually agreed rule book for the years ahead? The real answer is that without NAFTA, we will all be worse off.

The Government of Canada is, more than ever, convinced that the decision we made to enter into the FTA in 1989 was the right one. The NAFTA will build on the solid achievements seen by Canadians and Americans alike under the FTA. I urge you to maintain the momentum for free trade and support quick passage of the NAFTA legislation in the U.S. Congress.

But a trade agreement, no matter how good it is, does not guarantee results alone. It creates new opportunities. But we have to act if we are going to capitalize on them.

Let me cite some reasons why U.S. companies throughout the southeast should now be considering technology transfers, licensing arrangements, strategic alliances and joint ventures with Canadian firms.

Canadian companies bring to world markets today advanced technologies in geomatics, defence, electronics, biotechnology, information technology, advanced manufacturing and industrial materials. We produce products ranging from scientific and laboratory equipment to hardware and software applications.

Canadian exporters recognize the need to streamline production and become more competitive in world markets. To an unprecedented extent, they are diversifying, participating in joint ventures, licensing agreements and distribution networks.

Small- and mid-size firms in both countries will be among those to benefit from these arrangements. For example:

- Radian Corporation of North Carolina recently licensed environmental technology to a very small Canadian concern -- MATEK Consultants. After further development of the technology by MATEK, Radian decided to invest in the Canadian operation and Radian Canada was formed in 1992. The company -- specializing in the removal and use of ash residue -- now has 20 employees and generates 15 times the revenue of the original operation;

- Vadeko -- a Canadian robotics firm -- had no exports in 1986 but now has sales of \$45 million in the United States, largely owing to robotics applications developed with Lockheed and others.

Small wonder, then, that our information technologies should be showcased -- and that Canada should be the featured country -- at the COMDEX/Spring '93 show opening here in Atlanta tomorrow. COMDEX is the largest annual trade show in the United States and one of the best-known computer distribution exhibitions and conferences in the world. I hope we will see many of you there.

We can and will build on the successful relationship enjoyed for many years now between Canada and the southeast states. I want to urge you as members of the Society of International Business Fellows and the Canadian American Society of the Southeastern United States to play a growing role in that process.

Thank you.