

Statement

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE
TO THE ANNUAL GENERAL MEETING OF
THE CANADIAN MANUFACTURERS' ASSOCIATION**

**TORONTO, Ontario
October 19, 1994**



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Canada

I am pleased to be with you today. I am especially pleased to acknowledge the presence of many foreign delegations. Your participation underscores the strong ties that Canadian companies have forged with international markets — ties that have been strengthening exponentially over the past several years.

If there is a salient feature of the Canadian economy today, it is that our recovery has been — and must continue to be — export-led.

I need hardly recite to you the statistics. In 1993, exports increased by nearly 15 per cent, while our trade surplus jumped up by over 30 per cent. In the first six months of 1994, exports were up more than 14 per cent over the same period in 1993.

And while monthly trade figures should be treated carefully, exports reached a record \$18.5 billion in the month of July alone. Our trade surplus also reached record heights, climbing to a huge \$2.3 billion.

Statistics in your area — the manufacturing sector — have also been bright. For example, productivity, as measured by output per worker, rose by almost five per cent last year, the strongest performance since 1984.

Unit labour costs have fallen in four of the last five quarters, the best performance in more than 40 years. Cumulatively, the decline of unit labour costs over the last five quarters has been 1.6 per cent, compared to a rise of 2.5 per cent in the United States.

These bright statistics, combined with a lower dollar, have resulted in a tremendous improvement in Canada's cost competitiveness. In turn, this has helped to lift our exports to the levels I have just mentioned.

Improved cost competitiveness and increasing exports have also been largely responsible for the turnaround in Canada's manufacturing industry. Today, manufactured goods constitute one of the most important components of Canadian exports. In 1980, end products — or fully manufactured goods — constituted 28 per cent of total exports. In 1993, that figure rose to almost 47 per cent.

Clearly, our positive results in exports are caused by numerous factors — not least of which is the strength of the U.S. economy. However, they are also largely due to our efforts to bring down trade barriers and to the efforts of individual companies to tackle opportunities in new international markets.

On this front, we have been working hard to provide companies with the tools to participate more fully in the international marketplace. During our first year in office, we implemented the NAFTA [North American Free Trade Agreement] and concluded the

Uruguay Round, setting the stage for business to take advantage of trade and investment opportunities in North America and in the world.

The GATT [General Agreement on Tariffs and Trade] agreements initialled last April in Marrakech were by far the most far-reaching of Canadian trade achievements. Our finance department conservatively estimates the gains for Canada at a minimum of \$3 billion a year. In addition, international trade will now be governed by the disciplines of a newly empowered World Trade Organization [WTO].

Given the importance of the Uruguay Round, Canada has been pressing hard to ensure that our trading partners implement their Uruguay Round obligations and bring the new WTO into operation on January 1, 1995. For our part, we have begun the process to table the necessary legislation next week.

Over the past year, we have also put in place the North American Free Trade Agreement. But at Canada's insistence, the three partners have established two working groups to provide a clearer understanding of what constitutes a subsidy and how anti-dumping laws should be applied in a free trade area.

While we have made much progress in these areas, more needs to be done to eliminate trade barriers, multilaterally, regionally and bilaterally.

On the multilateral front, we are playing a leadership role in the complex, detailed preparatory work required to get the WTO up and running. We are committed to completing as soon as possible the unfinished work of the Uruguay Round in such areas as government procurement, financial and telecommunications services.

And we are also committed to beginning work on the new generation of trade policy issues, including such matters as the relationship of international trade to the environment, competition policy, investment, and labour standards.

Regionally, we are continuing our efforts to deepen and widen the NAFTA. At this juncture, the biggest step forward for the NAFTA would be to have more countries come on board, particularly those within the hemisphere.

However, the drop by the United States of fast-track authority from the Uruguay Round legislation makes the process of trade liberalization in the hemisphere more difficult. Nevertheless, trade must be a strong component of the Summit of the Americas in Miami this December. For its part, the Canadian delegation, led by Prime Minister Chrétien, will certainly emphasize the many

benefits of a comprehensive hemispheric agreement and will make specific proposals to help move the process forward.

It is Canada's goal to extend deeper free trade throughout the hemisphere and beyond, regionally if possible, bilaterally if necessary. We are already engaged in the negotiation of bilateral investment agreements with some international partners, and we will have to consider the negotiation of bilateral free trade agreements if other avenues forward should become blocked.

While negotiation and implementation of the NAFTA has focused Canada's attention in recent years southward to the rest of the hemisphere, we must also begin to build on the results of the Uruguay Round and explore new means of expanding our trade relations eastward, across the Atlantic, to Europe, and westward, across the Pacific, to Asia.

The momentum for trade liberalization both in the hemisphere and around the world, is strong. Canada seeks to maintain that momentum and, accordingly, I shall convene a meeting of the Trade Ministers of Japan, the United States and the European Union this spring. We hope to develop a consensus for new trade initiatives that will be considered at the Halifax G-7 [Group of Seven leading industrialized countries] Summit next June.

Canada's goal is to eliminate trade barriers wherever possible and to provide greater market access for our firms. But more also needs to be done to enable Canadian companies to take advantage of our market access initiatives and to participate more fully in key markets.

For 100 years, the cornerstone of Canada's trade development efforts has been the Trade Commissioner Service. The Service has been recognized by Canadians and by our competitors alike as one of the best official trade representation services in the world.

However, during its centenary year, we are looking to the future to ensure that the Trade Commissioner Service provides the support that exporters need.

With this in mind, our government undertook to conduct a thorough review of our trade development programs, including the Trade Commissioner Service.

We have already had input from many sources. We have received suggestions from a number of industry associations and I have personally met with many small and medium-sized enterprises across Canada to hear what they have to say.

Their recommendations include:

- restricting the Program for Export Market Development and the Trade Fairs program to small and medium-sized companies;
- ensuring that private-sector participation in all government-organized outgoing trade missions are self-financed;
- selecting for special attention high technology sectors and geographical markets with major export potential;
- strengthening the ability of the Trade Commissioner Service to respond to rapid changes in the international environment, notably by providing more training to officers in priority areas, by increasing the number of short-term executive exchanges with the private sector and International Financial Institutions, and by lengthening the duration of postings.

The message that I have heard has been consistent and clear — do less but do what you already do better.

Our government has also launched a review of Canada's foreign policy and I look forward to the recommendations of the Parliamentary Committee which is expected to table its report in a couple of weeks.

All these recommendations will be looked at closely and I intend to take action and put into place a number of specific measures in the near future.

In the meantime, I have already taken some preliminary steps to respond to private-sector needs.

We are improving the way we collect and disseminate market intelligence and market information, using the most up to date information technologies.

We are providing greater cohesion and focus to the support role played by governments by better co-ordinating international business development activities among federal departments and the provinces; this year's International Trade Business Plan, for example, will include the input and international business activities of all provinces, as well as the 18 federal departments and agencies that are already part of the process.

In addition, in conjunction with the provinces, Industry Canada, and a number of federal agencies, we are undertaking a new initiative called "Trade Team Canada." We are looking to: enhance the shared usage and shared up-dating of our national data base of exporters; ensure the better collection, analysis

and dissemination of market intelligence and information through the establishment of "Sector Expert Groups"; and optimize services to clients by co-ordinating delivery of international business development activities.

We are also undertaking new initiatives in support of small and medium-sized enterprises [SMEs]. From our point of view, SMEs need to become more involved in international business if we are to increase our presence in new markets. To that end, we are increasing our focus and adapting our programs towards the needs of SMEs.

We are developing new products and we are engaging the banking community to become more involved in support for exporters. More banks are now better equipped to provide SMEs with information on exporting. The Canadian Bankers' Association (CBA) is also involved in a program to provide bank managers with training on international trade.

Further, the Export Development Corporation (EDC), in partnership with Canadian financial institutions, is developing a new concept that involves increased lines of credit for smaller exporters. This is being designed to provide SMEs with more credit — from their local bank — for short-term foreign sales.

We are launching a program called ACCESS '95 to help companies exploit new market opportunities arising from the successful completion of the Uruguay Round. This venture is geared to providing the private sector with "market snapshots," highlighting reductions in tariffs and non-tariff barriers against Canadian goods among Canada's 42 largest markets after the United States.

Another initiative my department is moving towards is the "One Program Concept." Under this, seven different business development funds would be consolidated into one program. Support for international business activities initiated by the Department of Foreign Affairs and International Trade would be provided from one source irrespective of geographic region or of function. We expect this to result in a more strategic use of funds, a quicker reaction to new priorities, and improved client interface.

We are also undertaking initiatives to directly assist exporters in key emerging markets. For example, we have recently opened the Canadian Business Centre in Mexico City, a new "home away from home" for Canadians doing business in Mexico. It has fully equipped temporary offices, corporate meeting and conference rooms, and up to 30 individual booth spaces for trade shows and other exhibitions — all available at competitive rates.

I should point out that this is a pilot project, which, if successful, could be replicated in other key markets.

These are all valuable programs to help companies be more successful in global markets. But despite these efforts, nothing is of more critical importance than getting out there to these markets and doing what the private sector does best — and that is signing up new business.

As Trade Minister, I have lead business delegations to a number of markets. I have just returned from a successful trade mission to India where I was accompanied by a business delegation of over 50 participants.

However, what will probably be the biggest trade mission in Canadian history is yet to come. In a matter of weeks, I shall accompany the Prime Minister in a Team Canada trade mission to China. Over 200 companies have enlisted, and so far nine premiers have indicated their intention to participate in this mission to one of the largest emerging markets in the world.

Trade policy and trade development initiatives are crucial to the achievements of Canada's economic and social goals. In fact, I would go further. Little of what we do domestically to enhance our economic performance makes sense unless it is focused directly on the imperative of Canada's international competitiveness.

Every effort we make — both government and business — to penetrate world markets by meeting new customers, promoting our products and services, and making sales, will lead to new jobs for Canadians and growth for Canada.

Jobs and growth are about finding customers. I recall that Stephen Van Houten [President of the Canadian Manufacturers' Association] pointed out to me once that government doesn't create jobs, business doesn't create jobs — customers create jobs. It is in the international marketplace that we will find those customers.

Thank you.