

STATEMENT DISCOURS



NOTES FOR AN ADDRESS BY
THE HONOURABLE
GERALD REGAN,
MINISTER OF STATE
(INTERNATIONAL TRADE),
TO THE CANADIAN EXPORTERS'
ASSOCIATION,
OTTAWA,
OCTOBER 18, 1982

EXPORTS AND TRADE POLICY
IN THE 1980s

I am pleased to have this opportunity to speak to the Canadian Exporters Association. My department has had a long and cooperative relationship with you and I hope we can continue to build on that tradition. I recognize and appreciate the significant contribution of my predecessor in this portfolio - Ed Lumley. I know you will join me in wishing him equal success in his new responsibilities. As Minister responsible for industrial and regional economic development, he will continue to take a great interest in trade policy and in export promotion - and thus in the activities of the CEA. I am determined to maintain a high priority in cabinet for trade issues and will look to you for support and counsel in the months ahead.

You need no explanations from me about the importance of trade to the Canadian economy and about the significance of exports in preserving and developing the most precious commodity of all these days - jobs. Exports were estimated to account for nearly 1.2 million jobs in Canada in 1981 and, contrary to economic conditions generally, the numbers on trade are growing. You live with the fact that few other countries are as visibly dependent on external trade for the development of their economy and you are responsible for our continuing success in trade. Equally, you will be first to agree with me that we need to do more and we need to do better to ensure that our stake in trade is sustained and expanded in an increasingly difficult and much more competitive world environment.

I am sure there are those among you who wonder what will be the approach and prejudices of a new Minister of Trade. With every new Minister there is naturally some concern as to whether a change of emphasis or the development of new initiatives will affect the Government's commitment to exports. It may, therefore, be appropriate for me to share with you my thoughts as I assume this task.

Let me say at the outset that I believe the greatest enemy of business confidence is uncertainty. Politicians don't always realize that commerce performs incomparably better in an atmosphere of predictability and stability. I want to contribute to this kind of atmosphere and look to your help. I recognize the importance of consultations and will seek to consult as frequently and with as wide a range of interests as possible. I look forward, in particular, to working closely with the Export Trade Development Board and your association - in order to ensure that our efforts complement one another.

I want you to know that twenty years in public life, including eight years as Premier of one of our provinces, has taught me well the prime importance of the private sector in successful business enterprise. That is not to say the role of Government in trade is not important. It is! However, the role of Government must be

recognized to be supportive and complementary. Government can act as facilitator and catalyst - without interfering with the enterprise and talents of our businessmen. I believe my Department has been performing that well, and I will continue to place the emphasis on this.

Canada must export to live. The success of our export efforts will determine to a very large degree the extent of our economic success as a nation. I thus bring to this new assignment a desire to work closely with you, to be accessible, and to contribute in any way I can to the growth of our exports. I am particularly interested in helping you find new and more extensive markets for value-added goods and agricultural products. It is essential that every region of the country share in the benefits of international trade, and particularly the creation of jobs. I recognize that while our export position is generally healthy, there remains plenty of scope for growth and refinement. The challenge of maintaining and expanding our share of world exports is formidable.

We are confronted by a stagnant international economy - which decreases export opportunities for our goods and services. A variety of our trading partners are being prodded to impose restrictive obstacles against imports by hard-pressed domestic producers. Competition is becoming increasingly keen world-wide. It is thus crucial that Canada remain internationally competitive. This is one audience which is acutely aware of this imperative. But, we cannot continue to be competitive if inflation in Canada increases our costs of production at twice the cost of our competitors.

To this end the Government's 6 and 5 programme is vital to our success. Like many Canadians, I have been encouraged by the very positive response to this programme. We are in a period of rapidly decreasing interest rates - but our rate of inflation is decreasing at a slower rate. If interest rates in this country in their downward trend bump against the inflation rate, they will be inhibited from going lower. It is thus all the more imperative that we lower inflation as rapidly as possible.

I ask you to have your companies subscribe, as many already have, to the 6 and 5 programme. This voluntary programme in the private sector constitutes our most rapid path to prosperity - and it does so without the burdensome and clumsy jungle of government red tape inherent in a compulsory wage and price controls programme.

Canada is blessed with an abundance of riches capable of making it a great industrial nation - but only if

we exploit these resources to serve a world market. From the beginning of our history, Canadians have invested heavily in capital projects aimed at enhancing our capacity to export. We need to export in order to ensure the efficient development of the economy and to pay for the vast array of imports which give us the high standard of living Canadians now enjoy. We have built railroads, ports, the Seaway, grain elevators, pulp and paper mills, iron ore mines, and base metal smelters to produce, process and transport raw materials for export to markets all over the world.

We have developed a sophisticated and competitive secondary manufacturing capacity based on exports, primarily to the United States, Europe and Asia. Almost 70 percent of the output of the transportation equipment industry is exported, 60 percent of paper and allied industries, 55 percent of the machinery and primary metal industries, and 50 percent of the wood industries. Taking into account the domestic input into further processed goods, over half the goods produced in Canada are eventually exported. Indeed, there are efficient Canadian companies which export 80 to 90 percent of their production. That translates into jobs - thousands of jobs.

While the economic news in recent months has not been good, one series of statistics continues to impress. Canada has now enjoyed a positive merchandise trade balance for 28 consecutive months. In 1980 and 1981 the surplus hit record levels. The 1981 surplus of \$7 billion has already been passed in the first six months of 1982. The trade surplus for this year may reach an unprecedented high of \$16 billion. This is doubly impressive when one realizes that world trade as a whole has stagnated for the past two years. In Canada, while imports are down sharply, the value of exports continue at the same level as last year. When economic recovery occurs in our major markets, we should experience a major spurt in export activity which in turn should help to fuel and sustain economic recovery in Canada.

Numerous times it is said that Canada has a huge deficit in terms of manufactured exports and if you focus on "end products", it is admittedly true. However, if you examine the category of "fabricated products", such as chemicals, newsprint, iron and steel, petroleum and coal products, you will find that Canada had a \$16 billion surplus in 1981. The balance of trade for all manufactured goods has shown considerable improvement in the first eight months of 1982 compared with the position of a year ago. In the first eight months of 1982 there has been an estimated surplus of \$2.9 billion in all manufactured goods compared

with a \$2 billion deficit for the comparable period last year -- a swing of nearly \$5 billion. We are holding our own as a major exporter of resources - a case in point being the \$1.5 billion wheat sale to the USSR announced last week. The upward trend in Canadian exports in recent months also includes other export commodities, e.g., fish and certain other foodstuffs, crude petroleum, aluminum, petroleum and coal products, iron and steel, telecommunication equipment, office machinery and other equipment and tools.

I am sure many of you are aware of the department's market development plans. These are being prepared with the objective of assisting you in your exporting activities. The countries selected for special attention, we believe, offer the greatest opportunity for growth of Canadian exports over a two to three year period. This matching of Canadian capabilities with the import requirements of our trading partners has revealed exciting possibilities in both the developed and developing worlds.

One facet of exporting that demands a lot of your attention, I am sure, is export financing. Last year, the Export Development Corporation (EDC) assisted Canadian exporters through their long term financing and insurance facilities to win approximately \$4 billion in export orders. EDC also has implemented a number of new programmes to support exporters including increased renewable lines of credit with foreign banks, direct loans to finance project feasibility studies and the export of engineering and consulting services, and improved insurance facilities with respect to short-term lending by financial institutions, special coverage for political risks, and a forfeiting service. In a period of record high interest rates there are limits to our national treasury, but we remain committed to providing competitive financing in support of competitive bids by Canadian suppliers.

In recognition of the important role played by exporters in the Canadian economy, I intend to press forward with the full implementation of the Export Awards Program recently announced by my predecessor.

I am sure many of you are aware of the Government's ongoing review of Canadian trade policy. A lot of preliminary work has now been completed and we have started consultations with the private sector.

To date, meetings with a variety of interests including business, labour, the provinces, consultants and academics have been held to gain a fuller appreciation of the concerns, sensitivities, priorities of people outside

Ottawa. I know that some of you were involved. These meetings proved very constructive and the consultations are continuing.

I am encouraged by the reports I have received about the consultations and about the degree of consensus which is emerging:

- about the importance of trade to Canada
- about the vital link between domestic economic policies and a successful trade performance
- about the need for measures to ensure that our industries remain competitive
- about the need for a stronger national consensus on trade issues and about the need for concentration and careful management of our major trading relationships, particularly with the USA.

I can assure you - as the new Minister of Trade - I could not have arrived at a better time. Now comes the next and most difficult phase. We must now come to firm conclusions and attempt to design a statement of basic principles and objectives to govern the pursuit of our trading interests and the conduct of our trade relations. In embarking on this phase, let me urge you to let me know your views. Some of you have been at some of the consultations. Others have written. The advice has been thoughtful and we'll use it. I welcome more of the same.

In developing this final phase, we have very much in mind what is going on in Geneva. The two projects are very closely intermingled. Indeed, it is against the background and framework of the trade policy review that we are establishing our priorities for the GATT Ministerial meeting in Geneva in six weeks time.

I am satisfied, based on the consultations with the provinces and representatives of the private sector, that there is a consensus in this country that the multi-lateral trading framework as embodied in the GATT has served Canada well; that it provides the best framework within which to advance our commercial policy interests and that a priority Canadian objective should be to strengthen the GATT. Based on this assessment we developed our priorities for the meeting of Trade Ministers in Geneva next month.

The November meeting comes at a critical time. World trade is stagnating. We read and hear almost daily of new calls for reciprocity on a narrow sectoral basis; about

proposals from both the US Congress and pressures from the private sector for trade restrictive measures affecting important Canadian export interests; about new trade disputes between the USA and the EC, between Canada and the USA, and all three experience from time to time trade problems with Japan; and of the search for a better way to apply the rule of law in our trading relationships with newly industrializing countries.

The pressures today are real and it would be a serious mistake to underestimate the seriousness of the situation. The very foundations of the multilateral system built up over 30 years through painstaking negotiations are being eroded and chipped away.

In this difficult environment, the challenge facing the major trading nations in November will be to demonstrate the willingness and capacity to deal with the international trade ramifications of the current economic situation. We need to put to rest the doubts of the skeptics by demonstrating that the major trading nations are prepared to reaffirm their commitment to the multilateral trading system and to demonstrate a willingness to address within the existing framework issues of current concern.

It would be unrealistic to expect that we will be able to resolve all the world's trading problems in November. That is not the purpose of the meeting, nor will it be the result. After Ministers return to their capitals, there will continue to be disagreements between governments with respect to specific issues such as trade in automobiles, steel, textiles, clothing and footwear.

Governments cannot be expected to forego their rights, under the agreed rules, to take action to deal with injurious imports. We should, as a minimum, commit ourselves in November to taking such actions within the agreed rules.

Ministers will not decide in November to launch a major new round of trade negotiations. Rather, the success of the meeting should be measured in terms of whether Ministers can agree to establish a credible and meaningful work programme to address trade issues of concern during the 1980's. More specifically, our priorities for the Ministerial are as follows:

-- Safeguards: If the multilateral system is to remain credible, then governments, when they find it necessary to take restrictive trade actions, must be prepared to act within agreed rules. A high priority in November will be to make substantive progress in dealing with the major

item of unfinished business held over from the Tokyo Round by bringing the full range of trade restrictive measures with a safeguards effect within agreed international rules under the GATT. The development of a safeguards agreement which is fair and equitable and places effective disciplines on the major trading nations as well as on smaller countries, could make an important contribution to resisting protectionism. We want to ensure that safeguards are subject to stringent discipline so as not to erode access to markets while at the same time allowing governments to retain the ability to act quickly against imports to protect the interests of Canadian producers when necessary.

-- The GATT Dispute Settlement System provides a means, particularly important for smaller countries, to ensure that access to markets is not eroded through failure of other signatories to respect the agreed rules. Canada has, therefore, been taking the lead in preparatory discussions leading to decisions by Ministers in November. What we are seeking is a political commitment, both to respect the agreed rules and to make the GATT dispute settlement system work more effectively. In this regard, we welcome recent indications that work is underway within the US administration on proposed changes to the DISC in response to recent GATT findings. We will be watching closely and looking for expeditious action by the Congress in the next session. Nothing could enhance the credibility of the GATT more than a genuine move by the US authorities to respond constructively to the GATT ruling on DISC.

-- As regards developing countries, we attach considerable importance to the achievement of results at the GATT Ministerial Meeting which respond in a balanced way to the needs of all GATT members, both developed and developing. We believe developing countries need to be better integrated into the world trading system. We hope the Ministerial Meeting can strengthen confidence among developing countries towards the GATT system and its capacity to take account of and address the specific problems of developing countries. We can, in turn, expect from them, over time, a greater commitment towards that system and a willingness to assume greater obligations, commensurate with the level of economic development achieved and the benefits derived from it.

-- Trade in Agriculture Products: Export expansion for many of our agricultural products is critical. However, the agricultural policies of a number of countries are increasingly distorting international markets and traditional trading patterns. What we are seeking in November is agreement that it is urgent to address these problems and to initiate work aimed at developing

solutions. We attach particular priority to bringing direct and indirect subsidies affecting agricultural exports under greater international discipline and providing a greater degree of predictability of terms of access to markets. We can no longer afford to delay tackling these problems which are placing serious constraints on our ability to fully realize our productive potential in agriculture.

-- Trade in Fisheries Products: Canada has proposed that this question be included in the GATT work programme. As the world's leading exporter of fisheries products, we want to ensure that there is substantive work underway in the GATT to lay the basis for future negotiations to improve access to export markets. It is clear that this industry's contribution to Canada's regional and industrial development will be closely tied to its success in export markets. The provinces and the industry are strongly supportive of this initiative.

Similarly, we continue to attach priority to improving access to export markets for further processed products. We are not alone in wanting to see the problem of tariff escalation addressed, and together with other important resource producers, I expect that we can achieve agreement in November to initiate a work programme to lay the basis for further trade liberalization in these sectors.

We are, of course, prepared to see work initiated in the GATT with respect to some of the priorities identified by our trading partners. For example, we would be prepared to agree to a realistic work programme on trade in services in the GATT. At the same time, we would expect some forbearance on the part of others in taking unilateral restrictive actions in the services area. (I have in mind, for example, recent actions by the US Congress with regard to trucking.)

Canada's advanced-technology sectors are internationally competitive and export-oriented. We are prepared to consider whether there is a need to study trade in high-technology goods and services, the manner in which barriers and disincentives to such trade are dealt with under the existing rules and whether further specific steps are needed to deal with trade problems in this sector. At the same time, we will make clear that there needs to be adequate scope to pursue our own legitimate technology and related industrial policies.

There has also been a suggestion, in particular by the USA, that trade-related performance requirements imposed on companies by governments be examined in the GATT. We have indicated our readiness to accept such a study provided

it is balanced and examines such requirements in the context of the behaviour of multinational enterprises and at the same time addresses actions by home governments which affect the practices of multinational enterprises.

This is not an exhaustive list of issues to be considered by Ministers in November, but I believe it reflects our priorities. They have been developed in consultation with the provinces and private sector.

Before concluding, I would like to comment briefly on Canada/United States relations in this context. In consultations with businessmen and the provinces over recent months, strong concern has been voiced about the state of the Canada/US relationship. It is worth noting that the United States shares our objective of strengthening the GATT, seeing this as the best way of advancing its worldwide trade interests. We are working closely with the Americans as preparations for the November meeting proceed. Our positions are very close in the area of safeguards, dispute settlement and agriculture. On the few areas where there are some differences, such as performance requirements, we are consulting closely with American representatives to seek compromise approaches which will protect the interests of both sides.

In setting our sights on what the Ministerial meeting in November might achieve, while we need to aim high we must at the same time be realistic. While we do not underestimate the difficulties and challenges which lie ahead, we are confident that we can produce a commitment to live by the agreed rules and to work together on a substantive work programme which addresses trade issues of current concern to all GATT signatories. As a small country with a major stake in trade, Canada must seek to improve the system and make it more relevant to the trade issues of current concern. Above all, we need to ensure that our major trading partners remain committed to the system and do not revert to the rule of the jungle which prevailed in the 1930s.

In sum, let me repeat how much I look forward to working with you to meet the challenges of international trade. We've got a lot to sell, we have the means to sell it, and we're working on the rules - both domestic and international. The 1980s offer Canada great export opportunities. There is no country in the world to which the attainment of this goal is more vital than Canada.