



STATEMENT

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NOTES FOR AN ADDRESS BY

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TO THE EUROPEAN UNION CHAMBER OF COMMERCE

ON CANADA-EUROPE TRADE AND INVESTMENT

CHALLENGES AND OPPORTUNITIES

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Canada and the European Union [EU] have been busy in recent years with heavy trade policy agendas as well as complex economic and social policy agendas.

Europeans have been preoccupied with unification (and reunification) while we have been adapting to the demands of the North American Free Trade Agreement [NAFTA].

We were all deeply involved in achieving a successful conclusion to the Uruguay Round as well as exploring the emerging markets of the Asia-Pacific region.

Both Europe and North America have been through a severe economic recession which has created new challenges for governments and other economic and social policy makers.

As we faced these common hurdles, we also cast ourselves as economic rivals in a contracting global economy marked by declining market share, diminishing returns and growing competition from newly industrialized countries.

This has put considerable pressure on both Europe and North America to construct regional blocs to counter the effects of globalization.

Paradoxically, against this background of regionalism, it has never been more necessary for businesses to have a global outlook in order to compete and survive.

Accusations of fortress building have been levelled from both sides across the Atlantic. No longer does either side know quite where it fits on the other's trade agenda.

The result has been confusion and miscue for business about which markets are worthy of pursuit.

It is not surprising then, that most Canadian exporters still look no further than their own backyard, to the United States, as their only export market. Last year, a full 77 per cent of Canadian exports went to the United States. Barely six per cent of our total exports go to the European Union.

There is an inherent danger in this. We should again be asking ourselves if we are becoming too dependent on the U.S. market. Are we doing enough to penetrate other markets?

It is true that Europe remains our most important economic partner after the United States, regardless of perceptions to the contrary. Canada recognizes and values Europe as a key market for high, value-added goods and services as well as for our traditional staples of resource-based products.

Europe is Canada's second-largest source and destination of foreign direct investment. European visitors alone, for their part, generate about \$1.4 billion in business a year.

International trade is central to sustaining Canada's prosperity. After Germany, we are the most trade dependent of the G-7 [Group of Seven leading industrialized] nations. Exports of goods and services account for more than one quarter of Canada's gross domestic product. Directly and indirectly, exports sustain more than two million Canadian jobs.

That is why the Government is striving to create an economic environment in Canada that will be conducive to export-led growth and to increased investment — the keys to a competitive, aggressive and outward-oriented economy.

By any yardstick, the European marketplace is increasingly crucial for Canadian business. In 1992, the European Union accounted for 40 per cent of total global trade.

That will only increase as the EU adds new members. Although our trade deficit with Europe is narrowing, we still have a long way to go.

The task now, recognized by both the President of the European Commission and Prime Minister Chrétien, is to make a successful transition from a relationship dominated by the security concerns of the Cold War to one shaped by our common economic interests.

That the Europeans share our concern is evidenced by the EU initiative to organize the economic conference, entitled Canada and the European Union — A Relationship in Focus, to be held in Toronto in October.

Although much can be accomplished at the political level to strengthen our economic relations, the need for business to actively pursue trade and investment opportunities cannot be overstressed.

First, however, we must dispel a number of myths that surround our relations with Europe in the post-NAFTA, post-Maastricht world.

The first and most damaging myth is that Europe no longer matters to Canada because of the NAFTA.

Canada's geography determines that the United States is our major trading partner. Open regional arrangements such as the NAFTA are simply common sense and should not be considered an effort to create an exclusionary trade bloc.

Nor does interest in the NAFTA preclude strong interest in Europe. Canada believes regional and multilateral trading arrangements are compatible and complementary. International trade is not a zero sum game played by regions or blocs.

What is more important than geography among trading partners is a shared commitment to fuller development of rules-based trade — a GATT-plus, if you will. Through accession, the NAFTA promises to be a non-discriminatory, comprehensive free trade regime fundamentally, in my view, open to all.

The second myth is that Canada is focused mainly on the Asia-Pacific region. Asia is important to all of us. It is an inescapable fact that Canadian business people share the global desire to succeed in Asia Pacific. The region's appetite for infrastructure projects meshes very well with Canadian capabilities ranging from hydro-electric turbines to fibre optics telecommunications to nuclear reactors.

However, developing new markets does not have to occur at the expense of current markets. Canada is committed to expanding its trade relations on all fronts — North America, Latin America, Asia-Pacific and certainly Europe.

For Canada, Europe remains a promising source of technology transfers and strategic alliances and a strong market for high value-added goods and services such as information technologies and aeronautical equipment. Last year, no less than three quarters of Canadian exports to Europe were fabricated materials and end products — exactly the kind of exports so vital to Canada's prosperity.

The third and final myth is that in creating the world's largest trading bloc, the European market is closed to Canadians and other outsiders.

In itself, the European Union does not present a barrier to trade. There are restrictions on agricultural and fisheries products, but European industrial tariffs are low and this sector is largely free of non-tariff barriers.

Some companies may think that if they were not in Europe before 1992, it is now, somehow, too late. That is, of course, not the case. Although there are still some impediments, I would assert that the major obstacle is psychological. Exporters must overcome their fear of Europe and take a second look at the opportunities.

As many business people in this room can attest, European markets are sophisticated, competitive, complex and unique — but they are accessible.

Recent trade statistics show that Canada can compete in Europe. Our two-way trade with the EU alone was worth \$25 billion last year. Since 1986 our exports to the European Union have grown at an average annual rate of six per cent. Surprisingly, that is slightly faster than the rate of growth of our trade with either the United States or Japan.

Our investment statistics are equally impressive. Canadian direct investment in the EU almost tripled from 1985 to 1992 to reach \$21 billion, while EU investment in Canada doubled to reach \$32 billion in the same period. In 1992, the EU accounted for almost one quarter of the total foreign direct investment in Canada.

More than half of that investment originated in the Britain. However, the importance of other EU countries in regard to total direct investment in Canada has increased significantly in the last five years.

Diversified sources of foreign direct investment are highly desirable and necessary. They reflect the reality of globalization as well as the concept of broadly based investment and trade that is central to Canada's international economic policy.

I believe the newly formed World Trade Organization [WTO] will provide the critical framework necessary for a stronger economic relationship in the years ahead. The improved market access provided by the Uruguay Round coupled with economic recovery in Europe holds great promise for Canada.

There is now, for example, duty-free entry into Europe for Canadian newsprint and other paper products. There will be freer trade in high-tech equipment and software; and there are broad-based tariff reductions averaging 40 per cent or more on a wide range of industrial and resource products.

Canada and Europe share a commonality on issues facing the World Trade Organization. We must work hard to ensure that the WTO develops a forward-looking and balanced agenda to deal with unfinished business such as the reform of anti-dumping regimes.

We must also tackle emerging issues such as the possible harmonization of national competition policies and questions of trade and the environment and labour standards. The outcomes will have a considerable bearing on future Canada-EU relations.

Within this international framework, Canada and the Union are building other trade-related bridges through specific agreements on science and technology, standards-testing and customs co-operation, to name but a few.

In fact, Canada already has more bilateral and regional agreements with Europe than with most other regions. However, trade policy in itself does not generate growth and employment. Without a significant push from the private sector, these arrangements will continue to pay only minimal dividends.

The challenge ahead is to take full advantage of the recent trade policy advances and translate them into commercial opportunities. This is the role of the business community — both multinational corporations and small- and medium-sized enterprises. In particular, I urge you to take up the challenge and put your products and services to the test.

Canadian companies are succeeding — and succeeding very well — in Europe. CAMDI International of Montreal manages the "food court" at the Louvre Art Museum in Paris. In the home of la haute cuisine, this "food court" is a first and it was an instant success.

In Germany, Speedy Muffler King Inc. of Toronto is rapidly expanding "Pit Stop," its leading chain of service stations, by offering motorists something new — customer-friendly service.

PROCOR Sulphur Services Inc. of Calgary is building its third turnkey sulphur-forming facility in Europe. It achieves high-volume production from a small-sized plant, making it ideal for European conditions where land is at a premium.

These companies demonstrate the potential for a dynamic relationship with Europe. Many of you can serve as an example that Canadians can and do succeed in Europe. Please spread the word that a foothold in Europe is a critical element in any exporter's business plan.

As far as the Government is concerned, there is a perception, which I share, that in recent years the Canada-EU trade and investment relationship might have suffered from complacency, or, even worse, neglect.

Although Canada has an active trade and investment development program in Europe, I would welcome your ideas on additional trade development and trade policy initiatives which the Canadian government could undertake to help Canadians succeed in Europe.

The history, the culture and the economic values which Canada and Europe share provide a foundation to create a stronger economic partnership. Let us put it to work.

Thank you.