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Notes for an Address by the  
Honourable James Kelleher,  
Minister for International  
Trade, to the Canada-California  
Chamber of Commerce and the  
California Council for  
International Trade

LOS ANGELES

January 16, 1986.

Thank you very much, Mr. Chairman. It is a great pleasure to be with you today, in the company of so many people who have done so much for the care and feeding of the long trading relationship between California and Canada. I must say it is also nice to be in the warmth of the Southland. It was below zero yesterday when I left Ottawa.

This is really a remarkable area of the world. On the flight in last night, it seemed like we picked up the lights of the L.A. area about halfway from Canada -- and then flew over 15 "sig-alerts" on the freeways. I'm told that it's getting almost as hard to find an orange in Orange County as it is to find an angel in Los Angeles County -- or a river in Riverside County.

Canadians have always had a great affinity for California. I can't prove it, but I've been told that a million Canadians live and work out here, and a lot of them have made some contribution to your way of life. The Los Angeles Kings, for example.

Some of my countrymen have even got themselves involved in your motion picture industry. Jack Warner and Louis B. Mayer were both Canadians. So was America's sweetheart, Mary Pickford. And King Kong's sweetheart, Fay Wray. And, more recently, Donald Sutherland, Raymond Burr, Christopher Plummer and Geneviève Bujold. Or, from TV-land, such All-American heroes as Lorne Green and the Captain of the U.S.S. Enterprise, William Shatner.

I could go on, but I won't. The point is that Canadians love it out here, and we seem to get along well out here, and one of the obvious reasons is that Canadians and Americans have so much in common.

Indeed, the relationship between our two countries is unique in the world. Canada is your closest partner -- and you are ours -- in almost everything either of us does.

We work together in NASA's space program, we work together in NATO and NORAD. Our business practices are similar. You have more money invested in Canada than anywhere else in the world. We have more invested in the States than anywhere else. On a per capita basis, our investment in the U.S. averages out to about \$1,000 for every Canadian man, woman and child.

Our close relationships obviously include trade. We do far more business with each other than do any other two countries in the world. The volume of our cross-border trade in 1984 was 120 billion American dollars -- or roughly 1/15th of all world trade.

Rumours to the contrary notwithstanding, Canada is your biggest customer in the world. You sell more to 25 million Canadians than you do to the 280 million Europeans in the Common Market. You sell us twice as much as you do Japan. Indeed, my home province of Ontario alone takes more American exports than does Japan.

Not only is Canada your largest market, it's also your fastest growing market. Your exports to us climbed 20 percent in 1984, and -- although the final figures aren't in -- they grew again last year.

Lets look at the trade just between Canada and California. We are your largest and fastest growing market, and the one that is easiest to penetrate. In 1984, Canada's trade with California totalled over \$6.2 billion, with the balance slightly in your favour.

At the moment, computers are your largest single export to my country. But I can tell you that during the six long months we call winter, the food we put on our tables would be awfully dull without the fresh fruits and vegetables from the Imperial and San Joaquin Valleys. Except our artichokes come from Castroville.

Energy is one of our key exports to you. You get some of your electricity from British Columbia, and I gather you'd like to get even more. Natural gas from Canada began flowing to Southern California in 1981, and in ever growing quantities. We expect sales of gas alone to total over a billion dollars this year, making it our largest export to the California market.

Our number two export to you is pulp and paper. In fact, if it weren't for Canadian trees, you might have a hard time reading about this speech in tomorrow's newspapers.

The point is that trade between us is not a zero-sum activity. It is a win-win activity. We both gain by it. It fuels growth in both our countries. And it provides a great many jobs. In point of fact, the jobs of more than two million Canadians -- and of more than two million Americans, as well -- are directly dependent on our mutual trade.

And yet, we insist on impeding it. We continue to maintain barriers of all kinds -- tariff and non-tariff -- to the movement of goods and services between us. We still have a trade wall, and it is a very effective deterrent to achieving the full potential of which the Canadian and American people are capable.

It is true that, through successive multilateral trade negotiations, this wall has been gradually lowered. By

the time the final tariff cuts from the Tokyo Round take effect in 1987, up to 70% of our trade will be free of duty. But that figure is somewhat deceptive. It is 70% of the products we actually trade. It doesn't count the ones we would like to trade -- but can't, because the tariffs are too high. You charge up to 23%, for example, on petrochemicals.

In the meantime, non-tariff barriers have emerged on both sides of the border to add new problems to trade and investment. And the pressures for more protectionism seem to be growing. There are more than 300 different protectionist bills now before the U.S. Congress.

That is very troubling. It is troubling in general terms for the effect that it might have on global trade. It is troubling in specific terms for the effect it might have on specific industries. Let me take a moment to look at the one that is currently centre-stage, softwood lumber. It's an issue that California has a direct interest in.

There are now three bills before Congress to curb your imports of our lumber. These bills are the product of heavy lobbying by U.S. lumber producers. They were introduced in spite of two separate investigations by the U.S. Department of Commerce -- both of which concluded that Canadian timber is not subsidized and does not present unfair competition to U.S. producers.

One of the things our lumber does is help build your houses. In a state like California, which has a lot of houses to build, this means a lot of jobs. It also means housing at the lowest possible cost to the consumer. What would happen if our lumber were subjected to quotas or tariffs? The answer comes from a recent study by Wharton Econometrics of Philadelphia.

According to Wharton, a 30% tariff-induced increase in lumber prices would result in a small increase in employment in four states -- Alabama, Georgia, Mississippi and Oregon. The big winner would be Oregon, which would gain a total of 188 jobs. All other states would lose. Throughout the U.S., 15,000 jobs would go down the drain. And the biggest loser would be California, which would be out 3,700 jobs.

Surely that gives you a stake in arguing against these special interest bills.

Lumber is obviously not the only irritant in the trade between us. Given the immense volume of business that we do with each other, there are bound to be some disputes, and at present there are 18 formal actions going -- eight on your side, and ten on ours, involving everything from fish and potatoes to iron and steel.

These are some of the reasons that we in Canada believe a new bilateral trade agreement would be in the interest of both sides. We have proposed such an initiative and we are extremely pleased that President Reagan last month sent Congress formal notice of his intent to enter into trade negotiations with us.

The significance of this initiative cannot be overstated. These bilateral trade negotiations will, I believe, be of historic importance for both the United States and Canada, and I look forward to getting them underway soon. Both sides have already appointed their chief negotiators and the talks could formally begin in the spring.

I might mention that there is plenty of historic precedent for a bilateral trade agreement between us. Five decades ago, the world was in the midst of the Great Depression, and trade wars had broken out to make

things worse. Canada and the U.S. were the first to react to the rampant protectionism of the times. In 1935, we signed a bilateral agreement to bring the barriers down, and its principles became the foundation for the multi-lateral trading system we have today.

I think a new bilateral agreement between us might well yield somewhat similar results. A new round of multi-lateral trade negotiations under the GATT will probably begin this year. It is supported wholeheartedly by both the United States and Canada, and one of the reasons I could be with you today is that I'm on my way to San Diego to discuss preparations for this round with Clayton Yeutter, the U.S. Trade Representative, and with trade ministers from Japan and Europe. The countries represented at this meeting do two trillion dollars worth of trade a year, which is 65 percent of all the world's trade.

Negotiations for this eighth GATT round will take many years. They will not be easy, for not all the world's trading nations are agreed on what they should cover. But if Canada and the United States could lead the way, if we could show the rest of the world that trade liberalization is to everyone's advantage, I believe the multi-lateral negotiations might yield better results: more barriers would come down faster throughout the world.

This belief, by the way, is given some credence by Prime Minister Nakasone of Japan, who was in Canada this week on an official visit. Mr. Nakasone told us Japan could hardly take exception to a Canada-U.S. trade agreement that promoted freer trade globally.

Some people in both our countries have questioned the need for bilateral negotiations. They say we should rely only on the multilateral process under the GATT. But they are wrong. The

GATT is vital to the maintenance of an orderly trading system throughout the world, and it has brought real gains in attacking trade barriers. But it must take the needs and aspirations of a hundred nations into account, and so its progress is necessarily slow. By itself, it is not equipped to address the needs of a bilateral trading relationship as extensive, dynamic and complex as the one between Canada and the United States.

From Canada's perspective, our bilateral trade negotiations should aim to achieve three major mutual objectives.

The first is assured and stable access to each other's markets so as to create employment in all regions of Canada and the United States and to stimulate balanced economic development in our two countries.

The second is to attack the remaining tariff and non-tariff barriers. We need, for example, to look at local content rules. We need to deal with "Buy America" and "Buy Canada" restrictions to government procurement.

And the third objective is a better framework of rules for the settlement of disputes. With more certainty and predictability, we will both have a more confident basis for investment, expansion, modernization and specialization.

We see our negotiations focusing on ways to reduce the scope for harassing each other's competitive exports. We in Canada are deeply concerned about the increasing level and scope of U.S. trade protection laws -- at the extent to which anti-dumping, countervail and emergency safeguard actions are being demanded and considered. Sometimes these measures are aimed directly at Canadian products or services. Often they are aimed at others, but we get sideswiped by them.

We believe it essential to put a stop to this sideswiping -- and sometimes we are the ones who sideswipe you. We would like to see a more predictable trading environment between our two countries.

We also consider it important to codify more clearly the rules on subsidies to industry, agriculture and fisheries. We know that you have concerns about our some of our practices, just as we have some concerns about some of yours.

As we approach the bargaining table, a matter of concern to many Canadians lies outside the area of trade. It has to do with our social programs and our cultural sovereignty.

Not all Americans understand our concerns about maintaining our cultural sovereignty, but they are very real. They come from the disparity in the sizes of our two populations -- you have almost ten times as many people as we do -- and from the differences that do exist between us in some important areas. President Reagan the other day said that Canadians and Americans are not only friends and neighbours, we are cousins. And that is very true. Yet for all the similarities between our two peoples, there are differences as well, and we have no intention of giving them up.

We are a bilingual country, not only in practice -- as is the case in California -- but in law, as well. We will remain so.

We are committed to a wider net of social programs than Americans are. These include our health and unemployment insurance, our pension plans, and the reduction of regional disparities. We will remain committed to them.

We also have special policies to protect and promote our cultural industries -- such as publishing, broad-

casting, records and films. These are vulnerable in any small country that borders on a large one, and we take -- and will continue to take -- special pains to preserve them.

In this regard, the distribution of Canadian feature films is becoming something of an issue in Canada. The problem is that we do not have our own distribution system. Hollywood treats us as part of one North American market. For commercial reasons, the Hollywood distributors want films that appeal to the market as a whole, which is predominantly American. As a result, it has been very hard for Canadian films to get shown in our own country. We are looking at ways to give our film makers a little better chance at the box office.

It is my firm opinion that Americans who understand Canada -- including American trade representatives -- understand and appreciate our concerns about our cultural sovereignty, and I expect their understanding will be reflected at the negotiating table.

So Canada is ready to start talking whenever you are. And in the meantime, the business between us will go on.

Canada and California can grow and prosper together. In the past decade many of the major weapons systems purchased by Canada have come from prime contractors in Southern California. These include the P-3 long range surveillance aircraft from Lockheed, the F-18 advanced fighter from McDonnell-Douglas and component parts for our new frigate program.

These purchases have played an important role in both our countries. They have helped us develop a sophisticated defence industry in Canada.

Our industry, in turn, has been able to help the U.S. with a wide variety of equipment. The best known is the Canadarm on the NASA space shuttle, but we've developed other toys, as well, such as component parts of tracking satellites and many other gadgets that are playing a role in the reach into space.

Today, indeed as I speak, the largest trading mission to leave Canada for many years, representing 85 companies from across our nation, is in Los Angeles, looking for business. We hope, for example, to get a piece of the contract for the C-7 advanced cargo aircraft. We want to build on the cooperation that has grown in the defence sector between Southern California and Canada.

A month from now our Consul General, Joan Winser, will be hosting a seminar on how to invest in Canada. And I would like to invite you all to come up to Toronto in March for a couple of days to participate in a conference on the investment opportunities. I have persuaded a lot of the big names in the Canadian business community to come and tell you what they are doing.

We are all well aware that we live in a tough and competitive world. A world growing more competitive by the day. A world in which the race is to the swift. For both our countries, the challenge is to be competitive, to expand rather than contract, to be creative rather than rigid, and to look outward rather than in.

Americans and Canadians have an incredible capacity to create prosperity. Either of us can do it alone if we have to. But we will get much further much faster by working together. Let's do it.