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STATEMENT DISCOURS

MINISTER
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"THE IMPORTANCE OF BRITAIN
AND EUROPE IN CANADA'S
TRADE STRATEGY"

Notes for an Address by
the Honourable James Kelleher,
Minister for International
Trade, at a luncheon given
by Canada's High Commissioner
in London and the President
of the Canada-U.K. Chamber
of Commerce

LONDON

February 10, 1986.

High Commissioner and Mr. Wain, it is a very special honour for me to be here with you today, and for a variety of reasons. It is not simply because you are among the world's most distinguished and enterprising business people -- although you certainly are. Nor only because many of you are among the core group of Canada's oldest trading relationship -- although, again, you assuredly are. But some of you may recall that it was to the Canada-U.K. Chamber of Commerce, on Armistice Day of 1984, that I gave my first overseas address as Canada's Minister for International Trade, and the kind welcome I received -- perhaps I might even say tolerance for a beginner -- is a memory that I hold very dear.

A great deal has happened since then, of course. Fifteen months ago, I reported that our Government intended to scrap Canada's destructive National Energy Policy.

We did.

Fifteen months ago, I said we were going to get rid of the repressive Foreign Investment Review Agency so that Canada could once again be "open for business."

We did and it is.

Fifteen months ago, I said our Government was embarking on the long and difficult course of National Economic Renewal, to put our house back in order and turn our economy around.

During these last fifteen months the Government's emphasis on market forces, de-regulation, and a more open and international approach to economic policy has been paying off. The economy has turned around. Last year it grew by over four percent. More jobs were created last year than

any year in a decade -- over three hundred thousand. Wage settlements have held to between two and four percent while productivity has increased three percent. Inflation has been kept below four percent. Export growth has been strong. We have a healthy trade surplus. Investment was flat a year ago. It has increased by over twenty percent since. And, as the OECD has stated, the outlook for Canada in 1986 is second to none among the industrialized nations.

One of the more challenging tasks, I must say, has fallen to me, as Minister for International Trade. The challenge has been to secure and enhance our export markets in the face of rising protectionism in the world, and to keep Canada competitive in a rapidly changing world. Meeting that challenge has meant taking initiatives on a wide variety of fronts.

One of those fronts, of course, is the United States.

I am sure that you are aware of the initiative that Canada and the United States have taken to negotiate a new bilateral trade agreement. Some of you may even be concerned about it, perhaps fearing that it will divert our attention from the U.K., Europe and our other trading partners.

I assure you that it will not.

Let me go into this a bit. The United States is by far our biggest market. It takes three-quarters of our exports, which makes it a customer we must pay attention to. And of course we are paying attention to it. We have proposed -- and the U.S. administration has wholeheartedly endorsed -- that we undertake a round of wide-ranging bilateral trade negotiations. The matter is now before Congress, and we expect the negotia-

tions will get underway in late spring or early summer, and that they will last a year and a half or two years.

At the same time, I must stress that we have no intention of putting all our eggs in one market basket. Our trade interests are global, not simply "continental". Any agreement we conclude with the U.S. must also meet our obligations to our other trading partners and to the GATT. It would not make sense for either of us to sign an agreement that would in any way discourage our trade with the rest of the world.

Indeed, we are moving forcefully on the multilateral front, as well.

This will be a watershed year for the world's trading nations. After more than a year of hemming and hawing, a majority of the ninety or so nations that participate in the General Agreement on Tariffs and Trade have agreed to begin the next round of Multilateral Trade Negotiations sometime after this summer. This will be the eighth GATT round, and its objective will be to reverse the movement towards protectionism that is building in the world, to lower more trade barriers, to tighten some of the loopholes and modernize the GATT system. I'm happy to report that, at an officials' meeting last week in Geneva, some progress was made toward agreeing on an agenda.

Canada is deeply committed to the rejuvenation and expansion of the multilateral trading system. We have been one of the principal proponents of the next GATT round. And to underscore the importance we attach to it, we have indicated our willingness -- indeed, our desire -- to act as host for the Ministerial Conference which will begin the negotiating process. We have suggested the ceremonies be held in Montreal in September.

Through its first seven rounds of multilateral trade negotiations, the GATT has generally worked well. It has succeeded in cutting tariff levels roughly in half. It has established the framework for an orderly trading system and reduced the trade frictions that exist between nations. Largely because of its efforts, the volume of world trade has grown sevenfold since 1950. That has enriched the lives of us all.

But progress under the GATT tends to be ponderous. Negotiations for the eighth GATT round will probably take several years. They will not be easy, for they must take into consideration the needs and aspirations of a great many nations, not all of which are agreed on what they should cover.

It may be useful, therefore, to consider the bilateral trade negotiations between Canada and the U.S. in the context of GATT.

There is some historical precedent for doing so. 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 eventually became the foundation for the GATT.

Today, if Canada and the United States could lead the way again, if we could show the rest of the world that trade liberalization is to everyone's advantage, the next GATT round might well get further faster. I believe there is some precedent for this expectation in the formation of the European Economic Community. It tended to focus the attention of nations outside the Common Market on the advisability of liberalizing trade.

With this in mind, let me turn to the main theme of my remarks today, the importance of Britain and Europe in Canada's trade strategy.

One of my purposes in coming to London was to meet with Canada's Trade Commissioners stationed throughout Western Europe to map out strategies to boost our trade flows to and from this vital area. The European Community is the largest unified market in the world, and we believe we can increase our business with it.

As you know, Canada was founded by two peoples, the British and the French, and we maintain special ties with both of you.

That is why, last April, Prime Minister Mulroney paid an official visit to the United Kingdom and met with Mrs. Thatcher.

That is why later this month, our Prime Minister will take part in the first heads of state and heads of government summit of "la francophonie", which is sort of the French equivalent of the Commonwealth. Following the Summit, Mr. Mulroney will pay an official visit to France, and I expect this will give him the opportunity to reaffirm the unique importance that Western Europe has for Canada and to underline our desire to intensify our trade and economic relations. This is a message we want to get across to governments and business communities throughout Europe, and it is a message that I transmit to you today.

This is why we have embarked on a very deliberate and steady policy to re-invigorate, rebuild and strengthen our bilateral economic relations with Britain and with Europe. In the area of trade, so important to an export oriented country like Canada, we have identified a number of key sectors in key markets around the world. Britain and the leading economies of

Western Europe are at the heart of a trade strategy which has been arrived at through a process of consultation with the Provincial Governments and Canadian business interests. In Britain we have identified electronics, forest products, machinery and equipment and processed food products as central to our export strategy for the UK market.

Since 1983 Canadian exports to the UK have held solidly at some \$2.5 billion annually. This is about one tenth of our total exports outside the United States. It is almost as much as we sell to the German, French and Italian markets combined. And what is even more interesting is that we have maintained our sales in the face of unfavourable exchange rates.

While our market share has not grown, Britain provides an excellent export base for a wide range of our traditional exports -- such as plywood, newsprint and lumber -- and is our third best market for fully manufactured goods. Not counting the United States, you take 15% of our global machinery exports, 11% of our fabricated metal exports, and 30% of our valve exports worldwide. Since we are an industrialized country, our exports of finished products are important to us.

I want at this point to pay particular tribute to the hundreds of UK agents, importers and distributors who handle Canadian products in this market. Many are here today and we appreciate very much your efforts to promote and support Canadian sales to Britain, our third largest export market, and our largest market for manufactured products outside the United States. We also recognize the work of those Canadian firms who have established their own sales offices in Britain -- they are proof positive of the commitment of Canada to this market.

On the other side of the trade equation Canada has provided a healthy and rapidly growing market for British exports -- from 1.8 billion dollars in 1983 they jumped to 2.3 billion in 1984 and to 2.6 billion for the first ten months of 1985. The openness of the Canadian market, the leadership in export promotion efforts of your Department of Trade and Industry, the British Overseas Trade Board and major business organizations like the CBI, the marketing thrusts of UK companies, the favourable exchange rate -- all have contributed to underpinning British jobs based on exports to Canada.

Technology transfer is another area where we are already doing much together to our mutual benefit, but there are further opportunities to be seized. In high technology British industry is recognized as inventive and innovative. More and more of our smaller and medium sized enterprises in Canada are looking to plug into this lively sector of your economy through licensing agreements and joint ventures. And Canadians can also bring technology to Britain, and are doing so -- in telecommunications, electronics and computers over one hundred Canadian firms are tied into the UK market, just as most of your leading firms are deeply involved on the ground in Canada.

All this represents a flourishing fabric of cooperation between the Canadian and British private sectors, driven by the business opportunities which our respective economies offer each other.

Canadians do recognize clearly the very important role of London as a world business centre. For the Canadian exporter, London is now probably the most sophisticated and influential centre for international business. London is a source of market intelligence, of decision making

influence and of financial and other services. It is a meeting place for a wide range of customers, competitors and potential joint venture partners. London is being used by Canadian exporters to expand their involvement in the major capital projects and import programmes of Africa, the Middle East and Asia.

The process of reinvigorating and strengthening the ties between us must be based on the recognition of current realities, on identifying new interests, new opportunities and new mechanisms.

That should not be beyond our capacity to accomplish. Canada and Britain share common purposes in the collective defence of Western security and values, in the pursuit of improved East-West relations and viable arms control agreements, in fostering economic development and political stability in the Third World. Britain and Canada are the principal material mainstays of today's multiracial Commonwealth. And of course we share the vital common goal of enhancing international trade. We are both, after all, trading nations.

Let me turn to an aspect of our economic relations which many of you know has been particularly emphasized by Roy McMurtry. In London we have a large and well established Canadian business, financial and legal presence. Mr. Wain, the Canada-UK Chamber of which you are president is an important cornerstone of this presence. This is a vigorous community and complements well the activities of the Canadian High Commission and the Provincial Agents General.

Mirroring what has been happening in Canada, the last year has seen a "Team Canada" approach emerging here in London. We in government appreciate the increased support and co-

operation from the Canadian private sector in London to advance broader Canadian interests going beyond those of your corporate objectives.

But the High Commissioner is convinced we can do even more together to aggressively push Canadian interests and raise the Canadian profile in the U.K. Roy tells me many cite our Commonwealth friends the Australians as an example of people who consistently summon energy beyond their specific business objectives to promote their country in every way possible. We, of course, live in a very competitive world and a Team Canada approach will never be more important. One of the most important areas for a Team Canada approach is investment promotion.

Our investment climate has undergone a dramatic improvement. By replacing the old Foreign Investment Review Agency with Investment Canada, we have created a government agency that is actively seeking new investment in Canada. A concrete example of this new policy is here today, in the person of Mr. Victor Clarke. Mr. Clarke is a distinguished investment counsellor who recently left the private sector to become our first Investment Advisor in Europe. You can reach him at our High Commission on Grosvenor Square. Victor, would you be good enough to identify yourself?

The U.K. is one of our principal targets for attracting investment to Canada. Not surprising since the U.K. is our second most important source of investment after the U.S.A. Our investment promotion efforts are cooperative -- here in London the High Commissioner is working closely with the Agents General and Canadian and British intermediaries to attract U.K. firms to Canada and encourage those already there to expand their base of operations to cash in on the enormous vibrant American market using Canada as a vigorous springboard.

To our British friends here I need hardly remind you that our shared history and culture has involved important commercial relations over many generations. There surely should be no country in the world where you can feel more comfortable doing business.

On the other side of the coin we are well aware of the advantages the U.K. offers as an excellent springboard for Canadian firms to enter the European Community market.

Indeed, more than 160 Canadian firms have a corporate presence in the U.K., and the top 13 of them alone keep more than 55,000 Britons permanently employed. Your presence is even larger in my country. More than 550 British corporations operate in Canada, and their total investment exceeds seven and a half billion dollars.

There is great potential to expand our industrial cooperation. For example, Northern Telecom has a full corporate presence here, including research facilities. There is ongoing collaboration between Spar Aerospace and British Aerospace, and De Havilland Aircraft of Canada is hopeful that its DASH-7 aircraft will be selected for the London Docklands STOL Airport.

There are also excellent opportunities for British participation in some of our other industrial and high tech fields, including computers (both hardware and software), offshore oil and gas equipment and services, and automotive parts.

I might add that now is an excellent time to invest in Canada. There is a renewed business confidence in Canada, and, if I may say so, it is based to a large extent on sound management by the Government. As you may know, the OECD conducts regular studies of its members' economies, and

included in each study is a critique of government policy. The OECD study of Canada came out recently, and it is interesting on two counts:

- It found nothing to criticize about Government policy -- and that is a rare phenomenon.

- And it forecast that Canada's GNP this year will grow at a rate second only to that of Japan.

Let me cite a couple of other recent studies that are also to the point. A survey by the Conference Board of Canada, a private sector organization, found that 55 percent of Canadian business executives plan to increase their investment expenditures this year. And research by our Department of Regional Industrial Expansion indicates that large corporations will increase their capital investment by 13 percent.

Canada, of course, is a large country, and, like Britain, its investment opportunities are many and varied. And, for those of you who may be interested in expanding your practical knowledge, there will be a first-class opportunity next month to do so. One of our leading business newspapers, the Financial Post, is sponsoring a seminar on March 4th on Investing in Canada. The conference will take place at Grosvenor House and will feature a score of speakers, mostly business executives, discussing the investment framework, new opportunities, resource development and a great many other subjects.

Let me sum up. There is a new Canada, and it merits your attention. It is a confident and competitive Canada, a businesslike Canada, a Canada intent on providing good investment opportunities, a Canada intent on expanding our trade with the world -- and the world's trade with us. It is a Canada that is ready and

anxious to do more business with the U.K. I recommend it to you.

Thank you.