

Statement

Minister for
International
Trade



Discours

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ADDRESS BY

THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

TO THE

CANADA-JAPAN BUSINESS COOPERATION COMMITTEE CONFERENCE

TORONTO

May 23, 1989.

Canada

Mr. Lambert, Mr. Morohashi, Ladies and Gentlemen;

It gives me great pleasure to address the distinguished participants at this Canada-Japan Business Cooperation Conference, and to welcome the Japanese Delegation to Canada.

As many of you know, it was sixty years ago that Canada established diplomatic relations with Japan. The completion in Japan of five full cycles of the 12-year oriental calendar is an auspicious anniversary. It is called Kanreki. It is a time to look back and take stock. It is a time of revitalization for the future.

The year 1989 is, therefore, our Kanreki, as I believe it also is for your distinguished Ambassador, His Excellency, Mr. Kitamura. This is indeed a time to prepare ourselves for the future and for the growth and success of our relationship in the 21st Century.

Sixty years ago, in 1929, my country was taking its first measured steps towards independent status. We were a nation whose mythology was shaped by our northern climate, whose history caused us to look east to our founding nations of Britain and France; and whose economy was increasingly linked to our southern neighbour.

While we were a nation from sea to sea, in many ways our backs were turned to the Pacific Ocean.

Much has changed in the sixty years since. And much of the credit for this changed perspective lies with the Canada-Japan Businessmen's Cooperation Council and the Japan-Canada Committee of the Keidanren, which together form the most influential bridge in our bilateral, private sector relationship.

Within such Councils, a number of individuals stand out for their valuable valued contributions. Mr. Makita, the first chairman of the Japan-Canada Economic Committee, was a visionary pioneer. We deeply regret his passing. His impact on our relationship will be long-lasting.

It was in 1976 that Mr. Makita led a delegation to our country. The Makita Mission issued a report which was a watershed event. They saw no great advantage to investment in Canada, citing our labour costs, the frequency of strikes, and the small size of our domestic market.

Our businessmen appreciated this candid and objective feedback and took these views seriously. And one of the results was the formation of the Canada-Japan Business Cooperation Committee in 1977 - a forum for an ongoing private sector dialogue.

I should pay a special tribute to David Culver who took up this challenge for Canada. As the first Chairman of the CJBCC, he led its development for over a decade until passing the torch to Allen Lambert a year ago.

If Mr. Makita was the pioneer, Mr. Kanao was a worthy successor, and I know I speak for all Canadians present here today when I express our sincere regrets that he was unable to lead the Japanese delegation.

It was in 1986 that the Kanao Mission visited Canada. And we were pleased that Mr. Kanao and his colleagues discovered a new Canada - a Canada open for business; a confident, rapidly maturing society.

Mr. Kanao enthusiastically endorsed our business, manufacturing and technology environment and organized seminars in Japan to promote investment in our country. He is a true friend of Canada, and we regret his absence today. We wish him well.

Now, we look forward to a MITI-sponsored mission later this year, led by Mr. Morohashi. And I am confident, sir, that you and your colleagues will share the optimism with which we here in Canada view our future.

I am confident because the changes in Canada over the last few years were no accident. They have been the direct result of positive and conscious actions in the public and private sectors of Canada. For our part, my colleagues and I in the Government of Canada have moved step-by-step since 1984 to implement a broad range of reforms which encourage private sector investment and innovation. We have followed a clear agenda for economic renewal.

Central to this agenda has been a Free Trade Agreement with the United States.

It was an agreement linked tactically, strategically and substantively to our objective of a more open world economy.

As a matter of tactics, the Agreement helped prevent a rise in protectionism - so damaging to both our countries. And it strengthened our negotiating position in the on-going Uruguay Round of multilateral trade negotiations.

Strategically, the Agreement secured better access to a world scale market - a response to the problem of size noted over a decade ago by Mr. Makita. And it lowers barriers to trade in value-added products and services - a major obstacle to our development as a value-added economy and as a location for world scale manufacturing facilities.

And substantively, the Agreement is firmly based on the concepts and agreements of the GATT - in technical standards, procurement, export and import restrictions and elsewhere.

Perhaps most importantly, the Free Trade Agreement is a psychological watershed in our nation's history. For it signals a new, outward-look and more confident Canada.

What it does not represent is a contraction of our commitment to an open world economy, and our appreciation for the valuable role of Japanese and Asian investment in our economic future.

As you know, Japanese investment has surged in recent years - by 235% in 1987 and 275% in 1988. Cumulative direct investment now approaches \$4 billion. Several Japanese companies are particularly good corporate citizens and are well respected in their Canadian home communities. And I would suggest that the appointment of Mr. Yanagisawa, President of Toyota Canada, to the Canada-U.S. Panel on automotive trade, signals our respect for the vital role which Asian investment will play in the future. Japanese views are valued. You have earned such respect.

I noted that the Free Trade Agreement in no way signifies a retrenchment of Canada into a fortress North American mentality. No barriers have been raised to trade and investment from other regions. Quite the opposite. We view the Agreement as a stepping stone to offshore markets. During our second mandate, we intend to build on that initiative by promoting a global orientation for our traders.

We call it our Three Pillar Strategy - geared to the mega-economies of the United States, the European Community and the Asia Pacific Region in which Japan plays such a central role.

Recently, I outlined our approach to the 1992 initiative of the European Community at a Conference here in Toronto.

Today, I would like to focus on our Pacific Front.

As Prime Minister Mulroney declared during the recent election campaign, and indeed, as my colleague, Joe Clark, outlined in his Edmonton speech last week, the government intends to implement a Pacific 2000 strategy to ensure that we are front and center in the dynamic theatre of the Pacific Rim.

Today, the volume of trade between Asia and North America exceeds \$300 billion a year. By the turn of the century, that trade will likely exceed \$500 billion.

By that time, Japan and its neighbours will contain 60% of humanity, 50% of global production and 40% of global consumption. Canada has its own distinct Pacific personality. Clearly there is much we can do to harness its full potential.

We will be strengthening our scientific and technological base through cooperation with Japanese research institutions.

We will be promoting a greater awareness of Japan and Asia in Canada by encouraging cultural and language studies.

We intend to promote a greater awareness of Canada in the Asia Pacific by supporting exchanges, promoting Canadian studies and ensuring our effective participation in new regional institutions.

On this latter point, I should add that there is a great deal of discussion as to what form Pacific economic cooperation might take. It is a theme on which I have spoken recently in Tokyo and in New Zealand and one in which I will continue to take a personal interest. Canada will continue to play an important role in this process.

But as a matter of particular interest to you here this evening, Canada will be pursuing an enhanced Regional Trade Strategy, identifying target market opportunities and, mounting promotional drives to translate those opportunities into exports. We will be expanding our trade presence in Asia, and promoting investment alliances. And in all this we will continue to work closely with the private sector.

As part of this process, it is my pleasure tonight to release the first in a series of studies examining opportunities in the Japanese market - studies which analyze opportunities for various food products - a sector of tremendous potential. Further studies will focus on a wide range of sectors - from machinery to sporting goods. They are studies which were completed with the support of our own private sector. I would personally like to thank former MITI Minister Tamura who, following our meeting in Vancouver last April, so kindly offered the assistance of MITI and JETRO to work with my staff and our embassy in Tokyo to launch this market study programme.

Our Pacific 2000 initiative is an enormous challenge for Canada; but the opportunities are even greater. And I know you will all be playing a vital role in ensuring a successful and mutually beneficial outcome.

To date, I have been focusing on Canada's continuing transformation into a global trader. But we also understand that Japan is currently undergoing an equally dramatic, if not even greater, change.

Currency rebalancing, the Maekawa report to spur industrial reform and the shift of certain manufacturing offshore are just some of the far-reaching and profound steps which are shifting your country from an export-oriented to a domestic demand-led economy - a transformation that is often under appreciated by your trade partners.

Our current bilateral relationship is large and growing, valued at some \$18 billion annually. However, I would suggest that our full potential lies in the changes taking place in both our countries.

Take, for example, our agricultural, fisheries and food products trade.

In the beef sector, your recent actions to liberalize trade means that Japan now represents the single largest export opportunity for Canadian producers. We intend to seize that opportunity; and fill a growing percentage of your needs.

We are encouraging the Japanese Government to open its market to imported fresh apples and baled hay which are presently denied access. These exports could be worth over \$400 million annually. We are hopeful that a technical solution can be found to overcome Japanese phytosanitary concerns.

Canadian sales in a wide variety of food sectors are soaring. Canada now ranks fifth as a food supplier to Japan. Our fishery exports are booming. Our french fried potatoes have captured 15% of the entire Japanese market. This year the sale of a startling range of Canadian food products - from bread mixes to bottled water - should demonstrate the opportunities available to Canadian exporters.

But we are excited about the opening of agricultural markets for another reason. For we believe that competitive food imports will reduce the proportion of income spent feeding a family in Japan.

That in turn will free up income for other uses, such as housing - goods that we can also supply competitively, if given the opportunity. In this regard, we remain concerned that our lumber exports to Japan face a discriminatory 8% tariff applied to spruce-pine-fir, dimension products given that other like

products enter duty free. You will therefore understand why the elimination of this tariff is a high priority of the government of Canada.

In expressing our concerns over such matters, let me state that I recognize that other trading partners of Japan may exhibit impatience as they exert pressure to open markets more fully, and more quickly. We are sensitive, however, to the difficult domestic adjustment Japan is undergoing in responding to economic change. Japan has demonstrated it can resolve such challenges, taking into account the interests of all its trading partners. We are confident that this will continue to be Japan's approach.

And we are equally confident that, in responding to pressures from trading partners, your own government will be sensitive to our rights and interests.

Our two countries have chosen to resolve our differences on the basis of measured discussion among the parties directly involved, rather than through more open confrontation. We trust this more measured approach will not place us at a disadvantage as Japan responds to international trade pressures. In my recent meeting with MITI Minister Mitsuzaka, I mentioned our concerns in this regard; and I was pleased by his response.

So these are my personal reflections on our collective Konreiki.

In taking stock, I believe one can see the seeds of a strong and growing relationship into the 21st century. Japanese investment will continue to be welcomed and appreciated in Canada; and the Free Trade Agreement will make us an even more attractive location for North American production; and open trade between our two countries will assist us both, by allowing our private sectors to specialize in fields where they enjoy comparative advantage.

Through mutual respect for our traditions and interests, I believe that both our countries can play a major and constructive role in shaping Asian-Pacific cooperation - and strong, and mutually rewarding business relationships.