

# Statement

Minister for  
International  
Trade



# Déclaration

Ministre du  
Commerce  
extérieur

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## NOTES FOR A SPEECH

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

AT THE CANADA-U.S. BUSINESS ASSOCIATION

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Affaires extérieures et  
Commerce extérieur Canada

External Affairs and  
International Trade Canada

Canada

Ladies and Gentlemen:

It gives me great pleasure to be able to join you today at this luncheon meeting where discussions of fish are restricted to the choice of entrée.

1989 was one of the most difficult years I have personally experienced in public life. But these difficulties did not stem from the Free Trade Agreement. In fact, I am pleased to report that the Free Trade Agreement was implemented in a remarkably smooth and orderly manner, given the size of this undertaking.

As you all know, the legislation, regulations, processes and institutions are now in place.

Two tariff cuts have been made on schedule;

We have expanded the provisions for temporary entry of business visitors;

The technical groups are up and running;

The dispute settlement procedures are being vigorously used; as they were intended to be; and

At the request of industries on both sides of the border, we were able to agree to accelerated tariff elimination on 400 tariff items with a total value of \$6 billion, with another round of talks to come.

All things considered, we can be well satisfied with our progress to date - a tribute to the officials on both sides of the border.

As you also know, I recently presented the Government's view on the first year impact of the FTA in what I hope you will agree was a credible and balanced way.

I stated our belief that twelve months was simply insufficient time to make a credible statistical analysis.

I noted the 193,000 net new jobs created since January of 1989, and the 12% increase in Capital investment over the first three quarters of the year - evidence, in our view, that the economy is adjusting well and that businesses are gearing up to exploit export opportunities.

And I reaffirmed that the FTA remains a cornerstone in our strategy to improve Canada's competitiveness. For it improves access to our most important export market so Canadian-based firms can achieve world-class scale and specialization. And it creates opportunities for Canadians which otherwise would not exist.

Note my use of the word cornerstone. I use it intentionally. It is a word that implies the FTA is an indispensable part of our overall policy structure. But it also recognizes that there are other building blocks in our strategy.

And that is what I would like to focus on today - other aspects of the competitiveness challenge before us; specifically, four challenges facing Canada in 1990 which I believe will greatly influence our ability to compete and prosper in the years ahead.

Those four challenges, I would submit, are:

- Canadian fiscal policy;
- sales tax reform;
- the multilateral trade negotiations; and
- constitutional harmony.

Let me take each of these challenges in turn, starting with Canadian fiscal policy.

As we all know, it is absolutely essential that Canada continue to put its fiscal house in order to ensure a future of low inflation and low interest rates. And by Canada, I do not mean just the federal government. I mean all governments in this country.

Since 1984, my colleagues and I have been attempting to do just that. Much has been accomplished at the federal level; but more needs to be done. And to see the job through will require tough and, no doubt, unpopular decisions to further contain public expenditures.

Nor am I talking about merely eliminating waste, important as that is to secure public support. For the sad fact Canadians must accept is that any potential savings from the elimination of remaining waste and inefficiency fall far short of our needs. There is simply no easy way to bring our revenues and outlays more in line.

That's the bad news. The good news is that we are not as deep in the woods as some would think. We have indeed made substantial progress since 1984. By 1988-89, for example, the growth in the public debt had declined to 9.9% - the first time in 15 years that debt growth was less than 10%.

Program spending grew by only 3.6% a year in the four years ending 88-89 - an annual decline in real terms of .5 per cent over the period.

And there was a 45% cut in the size of the deficit relative to our economy. In fact, when one compares our situation with that in the United States, one finds that our net financial requirements - what the U.S. calls their unified budgetary deficit - has decreased to \$20 billion this fiscal year, and is on the way towards a balanced budget in the early 1990's. Our challenge now is to keep going, so our efforts since 1984 would not have been in vain.

A second challenge is to replace the existing manufacturers sales tax with the 7% GST.

I truly believe that any objective analyst would reach the conclusion that the replacement of the current tax with a modern consumption tax is essential to maximize Canada's prospects as we approach the 21st century.

The replacement of the current system with the GST will remove the current hidden tax on business inputs that deters job-creating investment in Canada and raises the cost of our exports.

It will remove the bias in the current tax in favour of imports - a bias that acts like a negative tariff on our own production here in Canada;

And together with the FTA, the GST will spur on economic growth during the 1990's, allowing us a better chance to service our debt without raising tax rates. The Institute of Policy Analysis in Toronto agrees. The Institute forecasts a future of steady three per cent

growth, thanks to the investment triggered by the FTA, sales tax reform and energy projects made more viable by the terms of the Free Trade Agreement.

Finally, and perhaps most importantly, a modern sales tax will allow us to finance national social programs without raising income taxes to uncompetitive levels - social programs that raise the quality of Canadian life.

For all these reasons, the GST makes sense for Canada. It is a long overdue reform which is the right thing to do. So we are going to do it. For if not us, who? And if not now, when?

The third challenge lies directly in my area of responsibility - to make progress on the multilateral trade front.

You know that, in this increasingly interdependent world, trade and investment have never been more important. So the stakes at the GATT table have never been higher.

Yet, the nature of the issues under discussion in Geneva, such as agricultural trade, are extremely sensitive to many domestic governments around the world. So trade has never been more at risk.

Add it all up, and the challenge before us is immense. And no one at this time can predict the eventual outcome of the current negotiations. All we can do is soldier on, poised to take advantage of negotiating opportunities in the coming months as we approach the finish line.

For my part, I remain optimistic that the final result will prove beneficial, if only because it is in the interest of all concerned to avoid failure. I can tell you that Canada is certainly playing a stronger hand, due to the existence of the FTA. But should the results not be as bold or progressive as one would hope, let us also remember that the existence of the FTA will dramatically limit the negative impact of failure on our country. That is certainly not a reason for complacency. But it should cause the opponents of the FTA to think twice.

In the meantime, it is incumbent upon Canadians to improve our ability to compete in the world economy, regardless of the GATT outcome. As you know, that was the essential purpose of the FTA. That is the purpose of the GST. That is the rationale for the Going Global strategy which we announced in 1989 - to improve our ability to compete not only in the American market, but in Europe and the Pacific Rim as well. And that is why my department is working hard to promote Canadian products abroad. Witness, for example, the recent opening of our new satellite offices in San Diego, San Juan and Miami, raising the number of our U.S. trade offices to 27.

While you wouldn't know it from the media, Canadian firms have been quietly responding to this export challenge outside the glare of the television lights and political debate. This year alone, 10,000 companies will take part in over 400 trade shows across the U.S., utilizing the services of my department. And those trade shows are paying off already - one sale at a time. Witness for example, the success achieved by members of our recent mission to Florida and Puerto Rico, companies like Gregg Steel Shakes and Magnum Fasteners. These are certainly not household names in our country, but they are the kind of growing and ambitious Canadian company which is ready, willing and able to compete in foreign markets, if given a chance. And they are the kind of success stories which must be told by supporters of free trade if you are to offset the constant criticism of our opponents.

The goal of international competitiveness brings me to a fourth challenge - domestic political harmony.

I am sure you share my concern over our seeming inability to come together as a nation. To say the least, the current constitutional and linguistic environment is not encouraging.

As a Newfoundlander, I believe the rigid constitutional stance of the current government in my native province is both dangerous and shortsighted.

As a Canadian, I fear that the rejection of the Meech Lake Accord would set in train forces of disintegration and disunity which would be hard to control; and

As the Minister of International Trade, I question how we can effectively compete abroad if we refuse to cooperate at home.

Like all Canadians, I have no idea how the future will unfold should the Meech Lake Accord fail. All one can predict with certainty is additional uncertainty and instability. And that is surely the last thing we need in this rapidly changing and uncertain world. Hopefully, those who wish the Accord to fail will look again before they force all of us to leap into the unknown. For there is still time to avoid a self-inflicted wound.

So those are four profound challenges we all face together in 1990.

- the challenge to reduce our annual deficits to secure sustainable, non-inflationary growth;
- the challenge to put in place a modern sales tax system;
- the challenge to liberalize global trade; and
- the challenge of constitutional stability.

Clearly, how we meet these four challenges will go a long way toward determining our prospects over the decade, and our ability to seize the opportunities created by freer trade.

Can we meet these challenges?

Certainly we can. There is surely no doubt about our ability to do so. But unfortunately, that is not the question.

The real question is, will we meet them?

I can assure you, that my colleagues and I are determined to do everything we can to ensure that the answer is yes.