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NOTES FOR A SPEECH BY THE
HONOURABLE GERALD REGAN,
MINISTER OF STATE FOR
INTERNATIONAL TRADE, TO THE
PACIFIC RIM OPPORTUNITIES
CONFERENCE

CALGARY, ALBERTA, OCTOBER 5, 1983

CHECK AGAINST DELIVERY

October is Canada Export Trade month. The decision to mount a promotion of this kind was a collegial one, taken by myself and the provincial ministers responsible for trade.

We all agree that consolidating and improving our trade position must be a matter of high priority for all of us. And, we agreed that we should do everything possible to enhance understanding, particularly among businesses which are potential exporters, of the importance of export trade, and the opportunities offered by export markets.

We also want to promote understanding among the general public of the vital role exports play in our national economy. Nearly a third of our gross national product is generated by exports. A fifth of our workforce is involved with exports in one way or another. In 1982 we exported goods for a value of 85 billion dollars. But there's a sense among business people and politicians that exports are perhaps the "over-looked third of our national economy". We want to remedy that. We want Canadians to know what exports mean...and what the export imperative is. We almost have to express this negatively...to say "Here's where we'd be without exports."

Where we'd be is as follows...a very significant share of our employed workforce would have no work, whether in agriculture, manufacturing, transportation, whatever and with all that that implies for a convalescent economy. Equally important, we would have no foreign earnings with which to buy those things we cannot grow or otherwise produce for ourselves.

That latter thought can be expressed in very down-to-earth terms. I have no doubt we could all get along without tea, or coffee, or orange juice in the morning. We could manage without fresh lettuce in the winter...and mandarin oranges for the Christmas stocking. We could likely manage fairly well without stereos and color televisions in a subsistence economy but such changes in our way of life would be substantial.

So, we can revise downward our expectations of and demands upon the economic structure. Or we can keep, and even raise, our expectations. But if we choose the latter, we have to embrace a very straightforward notion: if we want to buy abroad, we must sell abroad.

Whether it's a can of frozen orange juice, or a Ferrari, if you buy it offshore, you're going to have to sell something offshore to generate the exchange to buy it with. Otherwise, pretty soon somebody's got all the money, and somebody else has none. Not a balanced system, obviously.

I called this the export imperative. This has to become a state of mind. It has to become part of our national imperative. We have to understand clearly the place of exports in our life and economy, and we have to adopt and sustain a mindset which looks for export market opportunities in everything we do.

That's a central part of the message we want to transmit during Canada Export Trade Month, and business people such as yourselves, particularly those involved in export trade, can help us carry this message to every corner of Canada. In fact, some have already been dragooned for that purpose.

During October, I and other speakers will be talking to people at a large and varied series of events arranged by the federal and provincial trade ministries and a host of private sector organizations. The events include major conferences, such as this one, trade seminars, local and regional gatherings of various kinds, service club luncheons and other events.

All are intended to enhance understanding of our export situation among the general public, and particularly among business people who are potential exporters. One of the things you need to know, if you're in that position, is that governments are prepared to offer considerable assistance to those prepared to take a plunge into exporting. This may involve the sharing of financial risks associated with export ventures, and, depending on circumstances, could be in the form of loans, loan guarantees or credit insurance. Equally important is the help available from the trade professionals in the department, help in identifying markets of opportunity, making your product or service known in target markets, assistance in setting up for trade fairs and the like.

During Export Trade Month, Canadian trade commissioners have been called in from points around the globe to take part in seminars and meetings.

You may well have a chance during this conference, or at other events throughout October, to talk to one of these people face-to-face. If not, you can tap the expertise in the department in other ways...through the various regional offices, for example, or via the toll-free number we've established to provide information on exports. The point is, there's a wealth of experience and knowledge in the trade group...use it. That's what it's for.

So that's what Canada Export Trade Month is all about. I called it a promotion, and I meant it but I want to reinforce the notion that it is a cooperative effort, and reflects the commitment to export trade of all sectors - governments, business and industry, labour and academe. It's a promotion with a

positive purpose...to get all of us to think more about exports. I think we tend to forget that exports were the commercial foundation of this country, from the earliest days of the fur and lumber trade. Exports literally built this country, and in plain fact, nothing has changed. Our theme and slogan during the month is "Exports Build Canada." It's a good slogan, short, snappy...and true.

I do want to talk about how all of this applies to the Pacific Rim, but first, I want to make just a couple of points about Canadian trade policy.

In a nutshell, trade relationships have to be fair and open, but well-managed. In this context, fair and open means there is a balance in the relationship. Canada has never been, in modern times at least, a strongly protectionist country. We couldn't be, given our continuing requirement for imported goods. So we've traditionally given other countries open and need for market access to our domestic marketplace. And we ask no more than that they do the same.

Always, of course, there will be specific situations where domestic producers require some degree of protection. The General Agreement on Tariffs and Trade...make provision for such protection where it's obviously required.

"Well-managed" means trading relationships have to operate by clearly-defined rules. Without them, trade quickly becomes chaotic, and the benefits of trade are lost in wrangling, judicial and otherwise, which also has to have a negative effect on relations overall. So, Canada's policy position is that trade must be orderly. And it's an easy position to defend from where we stand. We have an international reputation as a nation which plays by the rules in trade. In fact, we've been criticized for playing too much by the rules. That criticism cuts little ice with me. My view is that orderly trade is good for all, and I refer any doubters to Canada's record in international markets.

Since 1970, only thirteen years ago, we have multiplied our exports by almost exactly 500 percent. A part of that can be accounted for by inflation, but much of it reflects an expanded commitment to trade, and a greatly improved trading performance. However, there is the very thorny question of what the rules should be with respect to a given trading partner. For us, a pressing concern is our relationship with the United States, our most important trading partner.

First off, there can be no doubt of the correctness of that description. In 1982, of 85 billion dollars in total exports, approximately 58 billion went straight south into U.S. markets. The United States is our biggest customer...it's as

simple as that. However, I think we also need to see our relationship with our southern neighbor in something more than purely monetary terms. I have said many times, and I have no hesitation in repeating, that we cannot forget the U.S. is our best friend in the international community. This is in part a function of our geographic position, no doubt. But it has to do with a community of interest which extends beyond shared physical space. We are different people in some important ways, but in many other ways, we are much alike. We hold many of the same values in common...we are proud people...we cherish our freedom and our sovereignty. In the trade area, we are natural partners, again because of proximity, but also because we take much the same approach to business.

Having said this, we cannot focus exclusively on one region in our trade initiatives. Our economy is already heavily interlocked with that of the United States.

What does all that mean? It seems to me it means we need to broaden and diversify our trading range. We need to seek market opportunities farther afield, and it is in this light that the Pacific Rim has come to be viewed with increasing importance in the past few years. The staging of these Pacific Rim Opportunities Conferences reflects the higher profile and higher priority being given to the Pacific Rim as a market area for Canadian goods and services.

And, I think the very character of this meeting reflects the fact this is a national interest - a national priority. We have represented here today a wide range of business interests, and, without doubt, every region of the country.

I was indeed pleased when I heard PROC III was to be convened in Alberta, a province of magnificent natural beauty, with bountiful energy resources, and above all else, a province in which the pioneer spirit of entrepreneurship is alive and well! The presence of so many Alberta firms at this conference underscores my point.

I wish to express personal thanks to the Canadian Committee of the Pacific Basin Economic Council whose efforts have been tireless and whose contribution toward raising the Canadian awareness of, and interest in, the Pacific Rim countries has been invaluable. In addition to its undertaking the organization of this conference, PBEC is sponsoring Pacific Rim seminars to be held in Windsor and Hamilton, Ontario, October 11th and 13th respectively. These efforts, I need not add, have had the full support of the trade specialists in my department. Last March, a highly successful series of Pacific opportunities seminars was held in Vancouver, Edmonton and Montreal in co-sponsorship with Community Chambers of Commerce and Boards of Trade with attendance

of about 150 people at each event. Additionally, a publication of the Canadian Committee, PBEC Report, produced quarterly, was launched last November to provide relevant information on PBEC, Canadian Bilateral Business Organizations active in the Pacific, and political and economic developments and issues in the countries of the region. It is must reading for Canadians interested in forging trade links with the Pacific.

Timing could not be more propitious for this third PROC Conference. The buoyancy of economic growth, and creditworthiness of the Pacific Rim countries, as well as financial and technical marketing support from government, have lent confidence to many hundreds of Canadian firms to continue their efforts in the region. They're making direct sales, forming joint ventures, establishing licensee and franchise operations, making equity and management contract investments, and forging other economic linkages. Such activities have resulted in an increase of over 35 percent in Canadian exports to the region from 1979 to 1982. Indeed, Canada has enjoyed increased sales throughout this period to Japan, which continues to account for in excess of 50 percent of all Canadian exports to the region.

Canadian exports to the Pacific Rim have generally accounted for some 10 percent of our total exports - in 1982, the Pacific Rim level was \$8.5 billion. These same markets however have been responsible for a \$4.5 billion Canadian trade surplus over the past three years, roughly 20 percent of our total surplus.

One trend in our trade which provides particular gratification is the significant proportion of our exports which is represented by fully manufactured goods. For example, 42 percent of Canadian exports to Australia are manufactured end products, as are 37 percent of our exports to New Zealand. The percentage applicable to Indonesia increased dramatically from 12 percent in 1981 to 43 percent in 1982.

Now, I want to speak briefly about the organization and activity of the trade group within the External Affairs Department. First, as you are aware, the external trade function has been brought under the umbrella of the department. It means that all trade-related tasks are directed from within a single ministry. There is no criticism, explicit or implicit, of the way things were done before, but it's a logical consolidation of responsibility.

We have subsequently restructured the trade group somewhat, to improve what might be called the "targeting" of our export marketing support activities. The Department now has five Assistant Deputy Ministers, responsible for coordination and management of the full range of Canadian relations in specific geographic regions. I'm pleased that Al Kilpatrick could be with

us today. Mr. Kilpatrick is Assistant Deputy Minister - Asia and Pacific Branch. Al has a wealth of experience in trade, and he's spent time in the far east. Working with Al are the Directors-General for the geographic bureaus within the branch; they're Jean McCloskey, Pacific, Earl Drake, South and Southeast Asia, and John Hadwen, East Asia. They're all experienced professionals, and can guide you in accessing the resources which exist within the trade group.

On the marketing support activities I referred to, the January 1983 visit by Prime Minister Trudeau to the countries of ASEAN, and Japan, advanced the perception that Canada, as a Pacific nation, is committed to the growth and prosperity of the region. (Not only has the founding committee of the Asia Pacific Foundation been established, but also visible progress has been made with the Pacific Economic Community Concept).

I was able to follow up on the Prime Minister's trip by leading a large trade mission composed of 44 senior businessmen to the ASEAN countries several months later. The visit enabled me not only to appreciate the exciting potential which exists for sales and investment with ASEAN countries, but also to recognize how well Canadians are received in the region.

Current plans call for me to undertake a similar mission to Australia and New Zealand in early to mid November.

My Department some three years ago began the publication of Export Market Development Plans for several countries. The purpose was to lend focus to Canadian Government export marketing efforts, identify sectors holding substantial promise, identify mechanisms for trade and investment promotion, provide a medium term market development plan for the country under review, and provide information on the recent marketing experience of Canadian firms. Some seventeen market development plans either have been completed or are in preparation. The plan for Japan was released in December 1982. A second Australia plan will be released shortly, revised to reflect current market conditions and opportunities. Plans for each of the five countries of the ASEAN are to be issued in the coming year, as will be the plan for Hong Kong. In short, eight of the twelve major markets under review at this conference will be treated in detailed, analytical, sharply focused market development plans.

Another mechanism found to be very useful in assisting efforts of Canadian firms is the Promotional Projects Program. In excess of \$2 million, for trade fairs and mission activity, has been allocated for the current fiscal year for Asia/Pacific countries. Some eighty to one hundred of these funded promotional events lead to well in excess of \$100 million of additional sales

by Canadian firms each year. One recent event with a taxpayer cost of less than \$5,000 led to reported sales by Canadian firms in excess of \$4 million over a six-month period with longer term projections in the order of \$6 million.

Similarly, the Canadian government's Program for Export Market Development (PEMD) has assisted hundreds of Canadian firms to land direct sales, form export consortia, establish extended sales programs and undertake other marketing activity.

Canadian firms must be given great credit for their commitment - indeed, perseverance - in their export endeavours. Price, quality, delivery and after-sales service are only four of the key bidding areas which must be addressed by export managers. In today's marketplace however, other elements are becoming increasingly critical. These include inter-alia quality of financing, state of technology and political considerations. Attention to all aspects has enabled Canadian firms to compete successfully against fierce international competition to secure such major capital projects as a digital telecommunications system in the Republic of Korea, thermal power and transportation projects in Indonesia, a methanol plant in New Zealand, and a mining project in the Philippines.

These efforts continue throughout the Pacific Rim as Canadian companies pursue equipment and service contracts for such major undertakings as mass rapid transit systems in Singapore, Thailand and Malaysia, steam generating plants in Indonesia, Malaysia and the Philippines, and gas processing and distribution systems in Malaysia, Thailand, Australia and New Zealand. The Republic of Korea continues to hold promise for Canadian suppliers of power generation plants, telecommunications systems and energy resource projects.

Growth and increasing sophistication have marked the development of the entire region, and as a result, Canadian suppliers of aerospace equipment and other high technology products, including Landsat systems, computer systems and software, have seen their market prospects improve.

I'd like to leave you with the thought that all of this is just scratching the surface in one of the most important emerging market regions in the world.

I am certain that the unique qualities I have described - commitment to the export market, desire to be at the forefront of technology, and innovation in creating marketing vehicles will enable Canadian firms to not only maintain but significantly enhance their presence in the Pacific Rim. This is the thrust of government policy at both the federal and provincial levels. We believe the support mechanisms which business legitimately requires are in place. Now, the job at hand is simply to go out and get the orders.