

Statement

Minister for
International
Trade



Déclaration

Ministre du
Commerce
extérieur

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CHECK AGAINST DELIVERY

REMARKS BY

THE HONOURABLE MICHAEL H. WILSON,

MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY

AND MINISTER FOR INTERNATIONAL TRADE,

TO THE NETHERLANDS-CANADA CHAMBER OF COMMERCE

THE HAGUE, The Netherlands

June 3, 1991

Thank you Mr. Chairman. I am grateful for this opportunity to address the Netherlands-Canada Chamber of Commerce.

Canada and the Netherlands share a history of friendship, co-operation and commerce of which we can be proud. When this Chamber of Commerce was established in 1950, the total trade between our two countries was worth \$14 million. Now it is worth \$2.1 billion and growing.

Today we are major investors in each other's economies. Our businesses are well suited to partnership. The potential for us to do business together is greater than at any time in our history.

Today, our countries face similar challenges. We have both recognized that if we are to preserve the prosperity we have both earned we must adjust to the larger markets on our doorsteps. We must meet the challenge of improving our competitiveness and productivity. We must make the transition to a new era of knowledge-based high-technology industry.

In Canada, we face an additional challenge. We must constitutionally renew our country. Canada's prosperity depends on our ability to overcome internal divisions, something, historically, we are very good at doing. We know that business confidence and foreign investment will be built on our continued demonstration that Canada is a strong, united country with a dynamic and growing economy.

Today, I want to tell you about Canada's economic and political situation. I want you to know that Canada is well positioned for sustained economic growth and that we possess the political will to keep our nation together and enter the next century more united and confident than we have ever been.

We have some problems. We have some challenges. But we are not sweeping these aside. We are dealing with them. Our economy, like some others, has been in recession. But we have taken strong measures to improve our economic performance.

We believe that the key to economic recovery in Canada is to maintain lower interest rates. To achieve this we have taken some concrete steps. We have set out clear, achievable inflation targets. We have put government finances on course towards a balanced budget and we have severely restrained the operations of government.

I am confident that our measures are working and that economic recovery is on the way. In addition to lower interest rates, we can look forward to declining inflation -- 3 per cent by the end of next year and 2 per cent in the following years. This will be a lower inflation rate than in the U.S., but not out of line with what we have been able to achieve for extended periods in the past.

We also look forward to real growth in employment this year, more consumer spending, more personal disposable income and more housing starts. In other words, stronger economic growth this year and next. There are already signs of this turnaround in recent economic statistics.

We have a record of accomplishment in recent years. We abolished a manufacturing sales tax that was handicapping our exporters. We have re-oriented our unemployment insurance system towards retraining. We have updated our competition policy. We have deregulated energy and transportation and initiated reforms of financial institutions. We have opened our economy, transforming a foreign investment review agency into a foreign investment promotion agency. We have privatized or eliminated 24 government-owned companies, reduced the federal payroll by 90,000 employees, and streamlined virtually every federal department and agency.

Of course, the most important measure we have taken in recent years to improve our economy has been our Free Trade Agreement with the United States.

Freer trade is vital to economic renewal. Freer trade means more competition. Competition lowers prices for consumers and forces business and industry to rationalize and become more competitive. Economies of scale increase. Manufacturing costs decrease.

Our Free Trade Agreement with the United States is being phased in over 10 years. To date, the experience has been very positive. Let me give you some facts.

When we negotiated the Agreement we knew that some Canadian businesses might wish to accelerate tariff reductions and adjust sooner rather than later. That's why the Agreement allows us to accelerate the rate of tariff reduction if industries request it and both countries agree.

In the first round of tariff reductions, hundreds of Canadian businesses told us they were ready to compete and did not want to wait. As a result, tariff reductions on more than \$6 billion in bilateral trade were accelerated. In the second round of reductions, more businesses came forward. This July we will accelerate tariff reductions on a further \$2 billion in bilateral trade.

In 1988, just prior to the Free Trade Agreement, there was a net direct investment outflow from Canada of \$2.5 billion. In 1990, Canada enjoyed a record net direct investment inflow of \$4.3 billion. Our trade surplus with the United States increased from \$14 billion in 1988 to \$17 billion in 1990. Some of that export growth has been manufactured goods, such as electrical machinery

and rolling stock, and high-tech products such as aerospace equipment and scientific and professional instruments.

Unfortunately, plant closures and job losses get more press than new investments and increased exports. But the success stories of free trade are real. There will be more of them as our economy recovers from the recession and they will provide the base for strong adaptable industrial sectors.

There are many Canadian companies set to benefit from the Agreement as it continues to be phased in over the next eight years. Europeans who invest in Canada now can expect to be a part of the success story.

The same economic imperatives which led us to negotiate free trade with the United States have led us into new negotiations with the United States and Mexico, to create a North American free trade area.

When complete, the North American free trade area will be a market of 360 million people with a combined gross domestic product (GDP) in excess of US\$6 trillion. It will be a larger market than the EC. Trilateral trade already exceeds US\$250 billion annually. Trade liberalization on this scale will have an impact around the world. Among other benefits, North America will become a larger, stronger and more dynamic market for European goods and services.

Just as the 1992 program and the creation of a European economic area does not constitute a "Fortress Europe," the North American free trade area will not be a bloc closed to trade with others. Europeans who decide to trade with Canada can rest assured that our fundamental orientation towards global trade will remain. We cannot afford economic blocs. Our Agreement with the United States, our negotiations with Mexico and our commitment to the General Agreement on Tariffs and Trade (GATT) and the conclusion of the Uruguay Round are all evidence of our dedication to trade liberalization worldwide.

Having taken the necessary macro-economic measures to position Canada for sustained economic growth, the government is focusing its attention on our competitive position in the world. We are going to take a hard look at our performance in training our workforce, in education, in research and technology, and in other areas to ensure that our economic infrastructure is best suited to improving our competitiveness. We are increasing our efforts to identify and eliminate interprovincial barriers to trade.

We are looking to make fundamental changes in our society, so that enhancing our competitiveness becomes the rationale with which we approach education, training and a broad range of

economic and social policy issues. We will be looking for the co-operation of businesses, industry and labour.

Increased competitiveness and stronger economic growth are especially important at this moment in Canada's history. A strong economy will strengthen Canadians' belief in themselves. It will rekindle our pride, improve our outlook on the future, and give us the confidence to renew our federation.

Returning to our mutual interest today, I want to say that I am confident that our strong economic and political relationship with the Netherlands will grow and prosper into the next century. We have a history of co-operation and commerce on which to build.

We have a trading relationship that is virtually free of irritants. The Netherlands offers Canadian exporters, importers and investors a robust economy, a strategic location, a well developed infrastructure -- including superb transportation facilities, and skilled workers with excellent linguistic skills. It is no surprise that 50 Canadian companies have established operations here, investing well over \$1 billion. I am very aware that the value of the Netherlands' direct investment in Canada is almost \$3.25 billion and that the Netherlands is our fifth largest source of direct investment.

Canadian exports to the Netherlands have increased by \$500 million since 1986 and totalled \$1.4 billion worth last year. Although resource products predominate, Canada now sells the Netherlands half a billion dollars of manufactured products annually.

Canadian imports from the Netherlands include agricultural products, chemicals, machinery, electrical and electronic equipment, metals and minerals, and other products to a value of \$721 million in 1990. The Netherlands has always been a favourite destination for Canadian tourists and now increasing numbers of tourists from the Netherlands are visiting Canada ... 93,000 last year.

Canadian businesses have long seen the Netherlands as a gateway to the European market. As the economic integration of Europe continues this will be more true than ever before. Perhaps, in the near future, businesses from our two countries will undertake joint ventures to exploit new opportunities in Central and Eastern Europe.

The people of our nations are friends. We are well suited to be trading partners. We are both excellent locations for investment. We have companies and industries well suited to partnership and strategic ventures. We have everything to gain from closer economic co-operation.

Canadians are impressed by the changes which are taking place in Europe and by the important role the Netherlands is playing in bringing these changes about. The Netherlands is an important interlocutor on a broad range of economic, commercial and related issues of mutual interest. It is a strong moderating voice in the European Community, arguing against increased subsidies and protectionism, and supporting a positive EC stand in the Uruguay Round and an integrated Europe open to third country trade. With the Netherlands preparing to assume the presidency of the Community during the second half of 1991, our countries will be working even more closely together ... especially given the transatlantic declaration which Canada and the Community signed this past November.

Canada has taken a positive approach to Europe 1992. The EC is our second biggest export market after the United States. It is a crucial source of foreign investment in our country. In 1990, Europeans invested \$30 billion in Canada and Canadians invested over half that amount in Europe -- about \$18 billion with less than 10 per cent of the population. As an economic partner of Europe, we see the 1992 program leading to a larger, stronger, more dynamic market which will present increased opportunities for Canadian exporters.

As part of our Going Global program, our government has taken concrete measures to encourage Canadian business and industry to take advantage of the new opportunities in Europe. We have published an extensive series of studies on the implications of 1992 for sectors of the Canadian economy. We have held a series of conferences and seminars across Canada, with European speakers, to make sure Canadians are aware of 1992 developments. We have sponsored numerous trade missions to EC countries, and facilitated the participation of Canadian businesses in trade fairs across Europe. We have placed a special emphasis on encouraging joint ventures between Canadian and EC companies.

For example, in April, in Amsterdam, we sponsored Canada-Netherlands Marketplace 91. We introduced 39 new Canadian companies to the Netherlands. Companies specializing in computer hardware and software, microelectronics, instrumentation and telecommunications were matched with Dutch counterparts in a series of one-on-one appointments. One-hundred-and-ninety Dutch companies participated. We predict that this project will produce meaningful business in the near future.

The spirit of trade liberalization which has inspired the 1992 initiative must also reinvigorate the Uruguay Round negotiations. With the extension of fast-track negotiating authority in the United States, the way is now clear to complete the negotiations.

Canada's objectives for the Uruguay Round remain as they have been since the outset of negotiations. We seek to turn back the

tide of protectionism and keep existing trade channels open. We want to achieve reductions in both tariffs and non-tariff barriers to trade. We want to develop new rules for agricultural trade. We want to improve the security of market access by establishing tighter disciplines on contingency protection measures and subsidies. We want to strengthen the GATT system and we want to develop new rules for trade in services, trade-related intellectual property matters, and trade-related investment measures.

Our countries share many of these objectives. With sufficient political will we can overcome the remaining roadblocks in the negotiations and achieve an agreement from which the whole world will benefit but we need that political will now ... to re-energize the negotiations. The Netherlands, in its presidency of the EC, has a unique opportunity to provide the needed leadership. I urge your political leaders to seize that opportunity.

There are some exciting times ahead in Europe. The completion of the Single Market initiative will mark one of the most significant accomplishments in the history of trade liberalization. The progress which the Community is making towards economic and monetary union is also very impressive, as is the determination with which the Community is negotiating the creation of a common economic area with the nations of the European Free Trade Association (EFTA), and new trading arrangements with Poland, Hungary and Czechoslovakia.

Canada looks to Europe with admiration and sees the dawning of an era of growth and opportunity. As a long-time trading partner, and friend, we look forward to continuing to share in the Netherlands' success.