

Statement

Minister for  
International  
Trade



Discours

Ministre du  
Commerce  
extérieur

89/05

CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE

JOHN C. CROSBIE

AT THE ANNUAL MEETING OF THE WORLD ECONOMIC FORUM

DAVOS, SWITZERLAND

January 28, 1989.

Ladies and Gentlemen,

Today I would like to share with you some perspectives on Canada's place in the global economy.

For the past four and a half years, the government led by Prime Minister Mulroney, has focussed on revitalizing Canada's economy. Much has been achieved.

- Gross domestic product has grown by an average of 4 percent, a rate second only to Japan, among major OECD countries.
- Real business investment increased by an average 7.8 percent from 1984 to 1988.
- And, Canada's nominal exports have increased by 23 percent over the four years, including a 47 percent increase to the European Community, a 42 percent increase to Japan and a 20 percent increase to the U.S.
- The federal deficit was brought under control and significantly reduced, from \$38.3 billion in 1984-85 to \$28.1 billion in 1987-88. That is a reduction from 7.8 percent to 3.9 percent of GDP.
- Tax reform has simplified the system and reduced corporate tax rates to levels comparable to the U.S.
- Competition policy has been modernized, to more effectively check anti-competitive behaviour but also to recognize the increasingly global context in which we must operate.
- Major reforms have been made to permit the integration of financial services and in foreign ownership rules for financial investors. For example, foreign institutions can now acquire domestic security firms. And, further reforms are planned to make financial services in Canada more internationally competitive.
- Regulatory reforms in energy and transportation, to greatly increase reliance on market forces, have led to industry restructuring and increased efficiency.

- Major privatizations include the Canada Development Corporation, de Havilland Aircraft, Canadair, Canadian Arsenals, Teleglobe, Fisheries Products International and privatization of Air Canada and Eldorado Nuclear are now under way.
- Restrictive foreign investment policies of the past have been abolished. The Foreign Investment Review Agency has been replaced by Investment Canada, with a mandate to increase international investment in Canada.
- And, we have followed a policy of emphasizing trade, first, through a two-track trade negotiation strategy ... multilaterally under the GATT and bilaterally with the United States ... and, second, by targetting new growth opportunities, particularly in Europe and the Pacific Rim.

These initiatives marked a major departure for Canada from the often inward-looking policies of the 1970's and early 1980's. Canadians were called on in the recent general election to choose between continuing this new approach or reverting to the policies of the past.

Canadians chose to renew this government's majority mandate to carry on the work of making our country more productive and more competitive internationally. The reforms of the past four years are now secure for the future.

The single most important issue facing Canada and other major trading nations is maintaining and enhancing an open international trading system under GATT.

Canada's objectives for the Uruguay Round are shared with our major trading partners. They are:

- to improve access by reducing or eliminating tariffs and non-tariff barriers, especially for natural resource-based products;
- to achieve more effective rules for agricultural products, including the reduction of export subsidies;
- to develop rules for important areas of trade not now covered by the GATT, including services, trade-related investment and trade-related intellectual property;

- to improve existing rules on subsidies and the use of countervailing duty and safeguards actions, and
- to strengthen GATT institutions, especially for dispute settlement and surveillance of national policies, as well as creating a closer link with the IMF and the World Bank.

The mid-term review meeting, which I hosted in Montreal in December was disappointing for what it failed to achieve ... especially on the thorny issue of agriculture. But important progress was made on market access, trade rules, dispute settlement, the functioning of the GATT, trade in services and tropical products.

And, I am optimistic that the groundwork has been laid for progress on the thorniest issues in the months ahead. Most encouraging was the sense of on-going commitment to achieving success in the Uruguay Round that I felt on the part of all participants in the Montreal meeting.

After much hard bargaining over the next two years, I believe the ambitious objectives set in Punta del Este will be achieved. I say this because I believe there is a general recognition among trading nations that we must succeed. We will all be the poorer if those objectives are not achieved.

A second major focus for Canada's trade strategy is the creation of an integrated European market by 1992. Western Europe accounts for 36 percent of Canada's non-U.S. exports and, along with the Pacific Rim, is the principal focus of Canadian trade and investment initiatives outside North America.

We are confident that Europe will remain open and contribute positively to the establishment of new rules and disciplines in the Uruguay Round that will lead to a more open, dynamic world economy. European integration must not lead to new trade barriers. That would be a blow to an open international trading system. Even the threat of new barriers could have a chilling effect on international trade and investment and on progress in the Multilateral Trade Negotiations.

An important element in avoiding new barriers and in avoiding harmful uncertainty about possible new barriers will be a reinforced commitment to openness, transparency and ongoing consultation by the European Community and its members states with its major trading partners.

The single largest development in Canada's trade policy in the past four years has been the Canada-U.S. Free Trade Agreement. This initiative builds on, and in some cases goes beyond, GATT rules and achieves important breakthroughs in tariff elimination, investment, services, procurement and dispute settlement, among others ... advances that we hope will provide momentum to further liberalization under the GATT.

The relationship between Canada and the United States under Free Trade will, of course, differ from that among the member states of the European Community. While the European Community will operate under common rules and under common institutions, Canada and the United States will operate under national treatment rules with common institutions only for dispute resolution. Yet the broad scope of trade liberalization between Canada and the U.S. is such that, Free Trade will bring many of the same advantages and opportunities for businesses in North America that 1992 will bring for businesses in the European Community.

And Europeans might pursue a parallel exercise, to investigate the new opportunities for trade and investment that Canada-U.S. Free Trade will bring.

The Free Trade Agreement is a good reason to invest in Canada to serve the North American market. But that is only one of the good reasons to invest in Canada.

Canada has one of the most diversified economies in the world. Our economy has evolved from one based primarily on natural resources to being one of the world's leading industrial economies, ranking second among OECD countries in GDP per capita, when measured in terms of purchasing power.

Canada's great natural resource wealth ... in petroleum, hydro-electricity, minerals, forests, fisheries and in agricultural production ... are well known. These provide an on-going base for the national economy in all regions and a major source of comparative advantage for resource-based and energy intensive industries.

Canada's highly developed manufacturing and service sectors benefit from the base of our natural resource wealth. But, for many years now these sectors have gone far beyond that base in their diversity and innovation.

All of these advantages have made Canada a prime target for international investments, inflows of foreign direct investment have increased from \$3.8 billion (Canadian) in 1984, to \$10.2 billion in 1987. We are confident these levels of investment ... along with important technology transfers and joint ventures ... will increase for 1989 and the future.

Looking ahead, Canadian governments and businesses face a series of challenges:

- to build on the opportunities created in the North American market by Free Trade;
- to achieve a more open global trading environment through the Multilateral Trade Negotiations;
- to take advantage of emerging possibilities provided by the internationalization of business, particularly in Europe and the Pacific Rim; and
- to continue Canada's more prominent role on the world stage through the United Nations ... where we now hold a seat on the Security Council ... Economic Summits, the G-7, the OECD, GATT, the World Bank, the IMF and in the Commonwealth and the Francophonie.

Canadians have recognized that to prosper and grow we must compete effectively in global markets. We have shifted fundamentally from the approach of the 1970's and

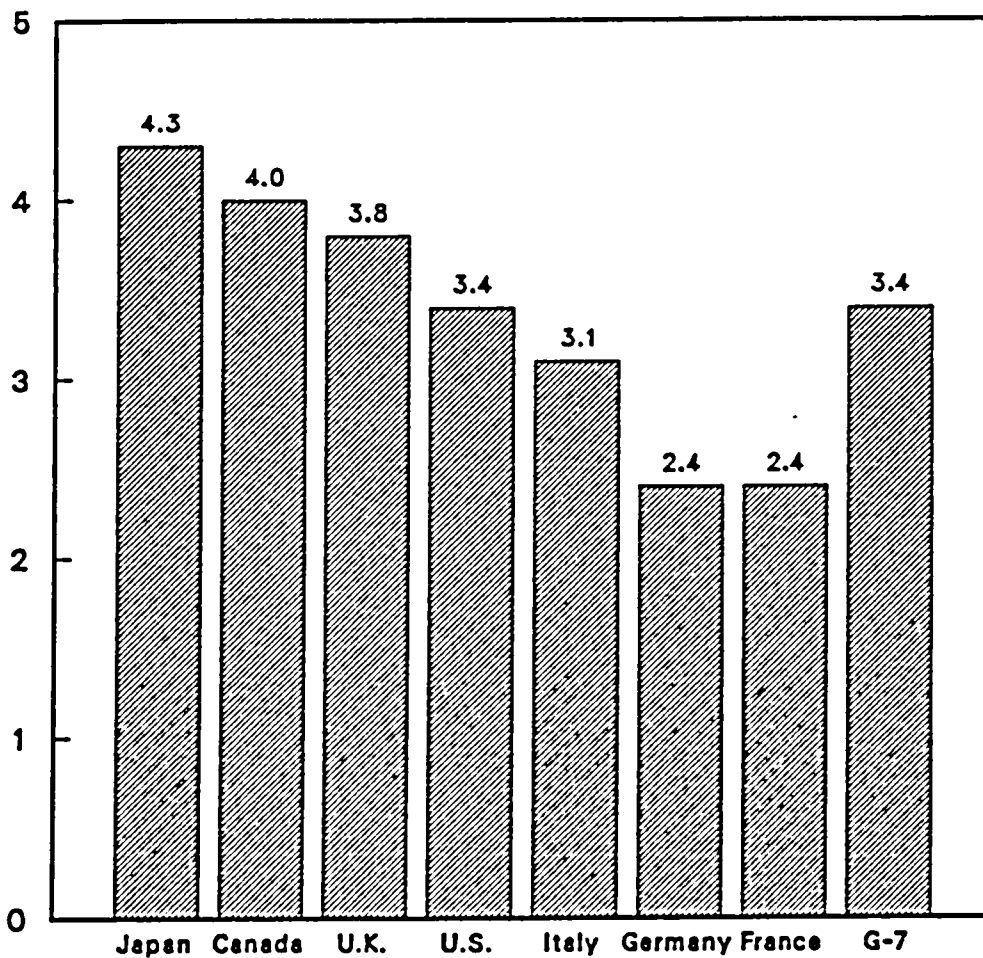
early 1980's, that often resisted international economic change, toward striving for effective adjustment to new economic circumstances.

The implementation of the Canada-U.S. Free Trade Agreement and our strong support for the Uruguay Round complimented by expansion of bilateral and industrial cooperation with major trading partners are major international components of our efforts toward this end. Continued Structural adjustment and deficit reduction are major components of this task domestically.

Canadians are going forward with confidence. We look forward to continued growth and prosperity in the years ahead.

# Average Annual Growth In Canada and Other G-7 Countries - 1984 to 1988

per cent

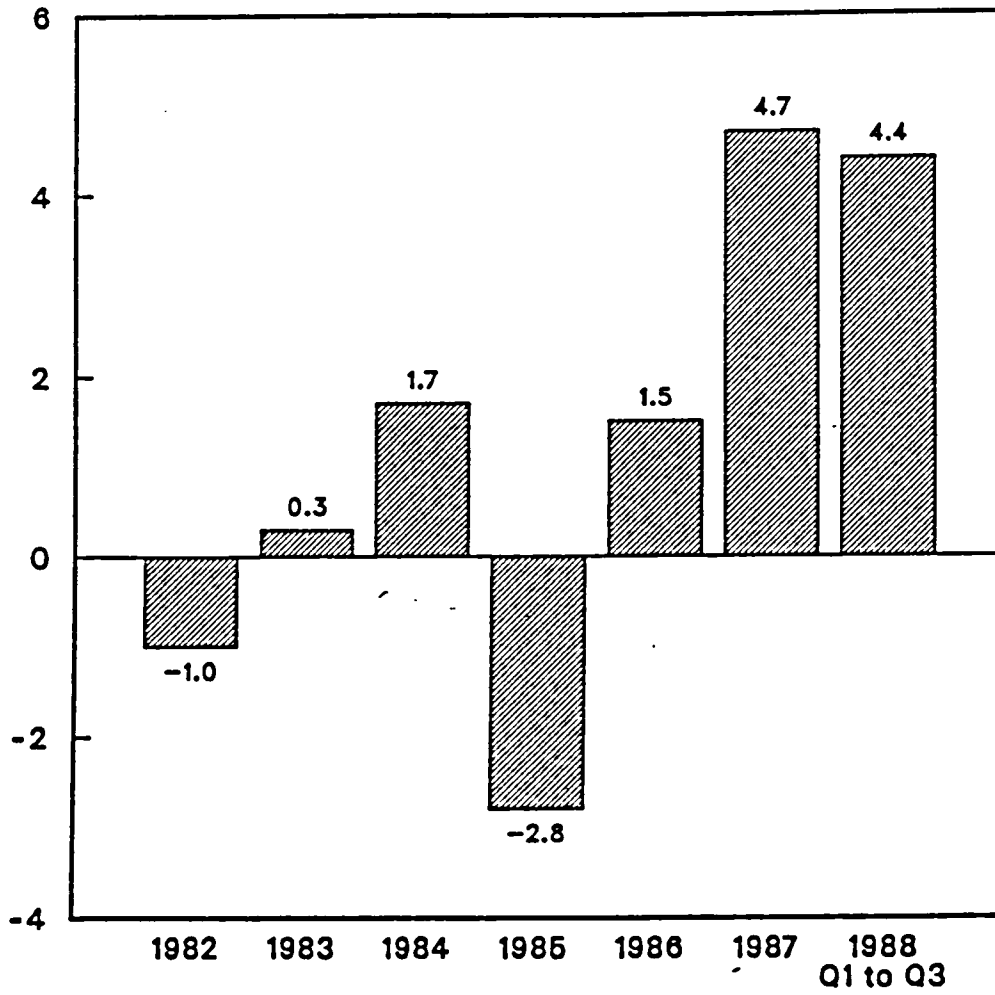


Source: OECD, December Outlook.



# Foreign Direct Investment In Canada

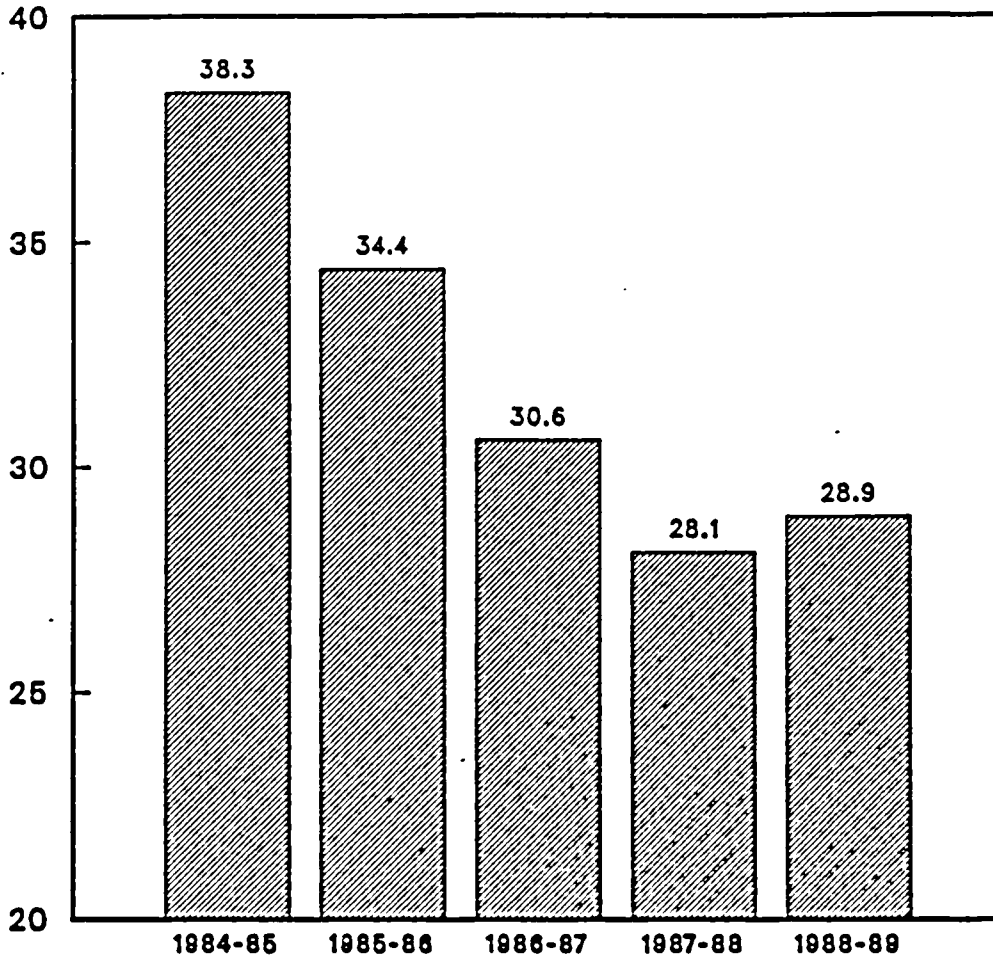
billions of dollars



Source: Statistics Canada.

# Federal Government Deficit Public Accounts Basis

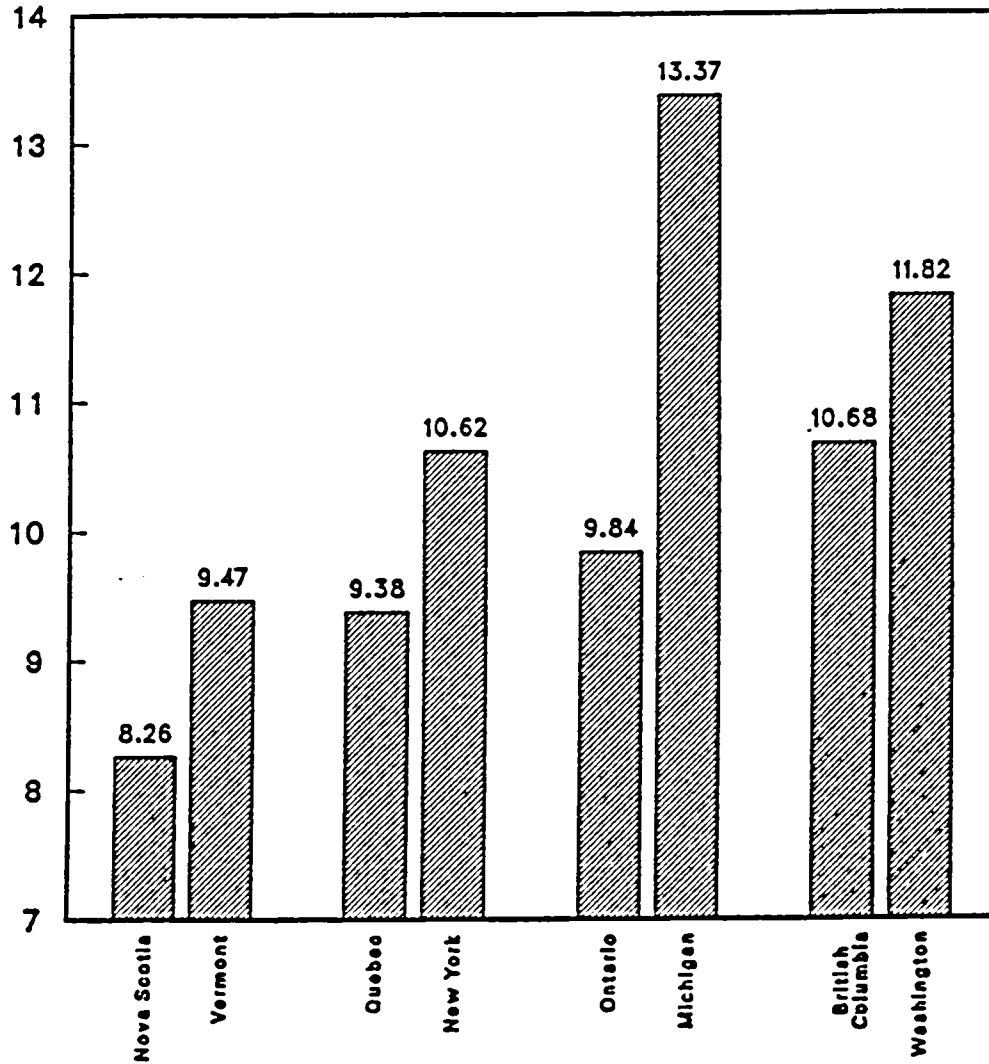
billions of dollars



Note: 1984-85 to 1987-88 are actuals and 1988-89 is the February 10, 1988 Budget target.

# Average Hourly Earnings In Canada and the United States

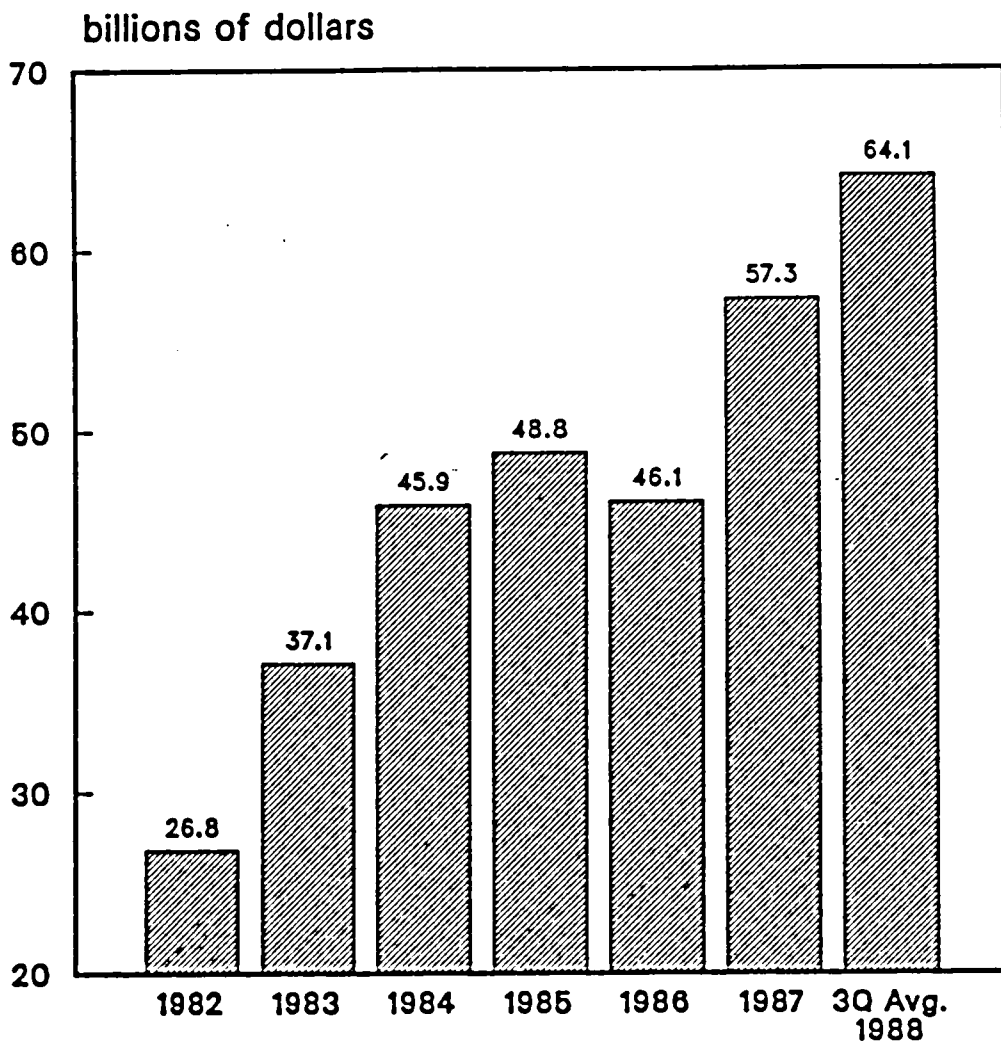
U.S. dollars per hour in manufacturing - 3Q 1988\*



\*Using the average noon Canada-U.S. exchange rate for the third quarter of 1988.

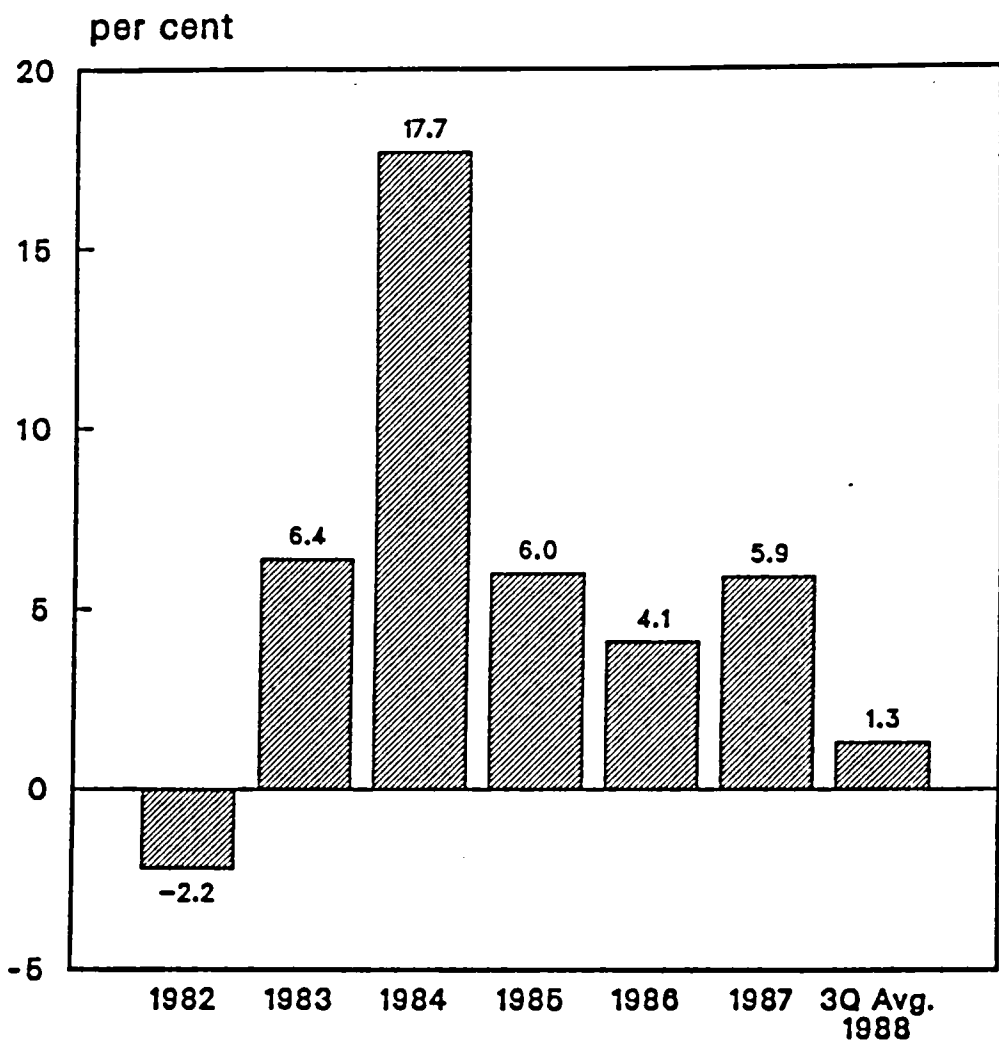
Source: Statistics Canada and Data Resources Inc.

# Corporate Profits Before Taxes



Source: Statistics Canada.

# Growth of Real Canadian Exports



Source: Statistics Canada.