

# STATEMENT DISCOURS

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NOTES FOR AN ADDRESS BY  
THE HONOURABLE JAMES KELLEHER,  
MINISTER FOR INTERNATIONAL  
TRADE, TO THE CENTRE FOR  
INTERNATIONAL BUSINESS  
STUDIES TRADE CONFERENCE.

DALHOUSIE UNIVERSITY, HALIFAX

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I want to thank the Canadian Export Association, APEC and Dalhousie's Centre for International Business Studies. I can't think of a more appropriate place to conclude Canada Export Trade Month than this beautiful seaport city. Halifax has been in the export business for a little while longer than I've been Minister for Trade.

Nor can I think of a more appropriate time to bring people of your stature together in this trade conference. Canada is facing a host of trade policy issues of great complexity and fundamental importance to our well-being. The international environment is undergoing rapid change. It is intensely competitive, more so than it has ever been. To put it bluntly, Canada is at an economic cross-roads. There is no risk-free course, but we must choose which way to go.

We must, in other words, begin a dialogue to forge a new consensus on the economic directions Canada will take. I would like to launch that dialogue tonight, by inviting you -- as exporters, bankers, labour leaders, scholars, officials and concerned Canadians -- to become actively involved.

The basic principles which will underlie our trade strategy have been set out by my colleague, Joe Clark, Canada's Secretary of State for External Affairs. Let me restate them. There are four.

The first is to resist protectionism, and keep trade open.

The second is to put a new premium on making Canada internationally competitive, encouraging and supporting enterprise, investment and innovation.

The third is to pursue export opportunities, large and small, traditional or new, with renewed vigor.

And the fourth is to pull together more effectively, with a greater and more urgent sense of shared purpose than ever before. It is our intention to increase practical, working cooperation between the Federal and Provincial Governments on trade matters, as on other matters. We also intend to restore and develop the sense of team-work between the private sector and government.

These are our guiding principles. The challenge is to make them work amid the economic and political realities in which we live. This may sound a bit like asking the Christians and the lions to all pull together, but it can and must be done.

What are the realities we face? Let's take a quick look at some of them.

The most obvious one is the critical importance of securing our access to the American market. Nearly 40% of Canadian manufactured goods are exported directly to the United States. Few industries in Canada are not in some way reliant on the US market. Barriers to that market, or even the threat of barriers, could have devastating impact on Canada's economy.

The question then is whether we should, in these circumstances, be looking for special trade arrangements with the United States. If so, what kind should we be looking for? And what would be the advantages and disadvantages of such arrangements?

In attempting to reduce the barriers, we start from a reasonable base. By 1987, when the tariff cuts agreed to in the last multilateral round of GATT negotiations are fully in effect, some 80% of current Canadian exports to the United States will be tariff free. There are, however, still a number of sectors where Canadians could be competitive but where US import barriers remain high. Petrochemicals are an example, with US tariffs of 15%. Even low duty rates can be effective barriers, for example, in upgrading resource exports to more processed forms.

And trade is not barred by tariffs alone. We must also contend with a variety of non-tariff barriers. Many US government agencies, for example, are subject to "Buy America" provisions which may prevent you from selling to them or may cause Canadian exporters to locate in the US. Other impediments include local content requirements, reciprocity arrangements and a variety of measures which are aimed at other countries but have the effect of sideswiping us.

Protectionism in the U.S. is an ongoing -- and compelling -- challenge. In the past couple of years, several important Canadian exports have been the subject of investigations under American trade remedy provisions. These include softwood lumber, copper and both carbon and specialty steels -- and, of direct interest to Atlantic Canada, potatoes and salt cod.

There is an urgent need to minimize the exposure of Canadian exports to protectionist measures in the U.S. As you all know, Canada is the only major industrialized country in

the free world that does not have its own internal mass market. Only through freer trade can we achieve the economies of scale that will enable us to remain competitive. Canadian industry, agriculture and fisheries, must have the kind of access to the U.S. they need to grow and provide jobs for Canadians.

It is the combination of these challenges which has prompted the Government to look closely at the trading world in which we live, and the choices that are open to us. Many are asking whether our needs can still be fully met by relying exclusively on the GATT, which has served us well to date, and on another round of multilateral trade negotiations. International competition, the strength of protectionism and the emergence of regional trading blocs in the Pacific and Europe all raise the question of whether the multilateral system alone can assure us of the markets we need to sustain and expand our economy. The multilateral system remains important to us but I believe that all of us -- governments, the private sector, labour and consumers -- need to have a careful look at our trading relationship with the U.S., as we consider ways to secure and expand our markets there.

This means continuing to look at the sectoral approach to see what it can offer. It also means examining calls from certain parts of the business community for other forms of trade liberalization with the United States.

It must be understood that any new trade agreement, particularly a comprehensive one, involves give as well as take, costs as well as gains. And that brings up some very large questions. They include: the strength of our export industries; the problems of those which already face strong competition; the special measures of adjustment which might be needed; the constraint on certain Canadian policies, such as regional development, which might be involved; and the anxieties of those concerned with Canadian identity in any proposal for a closer relationship with the United States. I do not propose to answer such issues now. I raise them because they compel serious consideration and close consultation with all affected parties.

I want, however, to leave you with one thought in this area. The luxury of a leisurely and prolonged study is not open to us. The pressures are either to go forward in liberalizing trade or to go backwards into protectionism.

These pressures apply not only to our trade with the U.S., but everywhere. Anyone out selling in a foreign market today -- especially if it is a market outside the membership of the OECD -- knows that doing international business has become a very complex affair.

Three developments are contributing to this. One is what can be called managed trade. This is where governments negotiate 'voluntary export restraint' or 'orderly marketing agreements' with each other - or failing that, unilaterally impose import restrictions.

Approximately half of all world trade is now subject to some sort of 'management'.

We do this here in Canada in textiles and clothing, footwear and Japanese automobiles. We also manage some trade in agricultural products as an extension of our domestic supply arrangement regimes.

Yet whenever trade is managed, some sort of rationing scheme must be applied to existing and potential exporters. This may make life easier for some of them, but for most, business will become more difficult.

Subsidization is a second development which complicates trade. This occurs to some degree in any trade which is government-financed, when the export finance is provided at less than a commercial rate of interest.

There is an enormous range and variety of subsidy mechanisms, all of which conspire to defeat pure market forces to some degree. In this regard, Canada is not all that different from other developed nations. A very large part of our trade with developing countries and COMECON countries, and a good deal of all trade in capital goods, is now caught up in export financing price wars. This poses for us the difficult question of the amount of government resources we can realistically devote to meet the competition of our much larger trading partners.

Then there is counter-trade, which is sort of a modern version of barter trade. To get the business, the exporter undertakes to do something for the importing country: anything from taking goods in part payment, to providing technology, to establishing a local assembly capability. Somewhere between five and eight per cent of world trade now takes this form - and the proportion is growing.

Central to our trade policy has traditionally been our strong support for an open multilateral trade regime; and our equally strong resistance to any erosion of what has so far been accomplished.

If, however, we now find that trade which is important to us is impeded by managed trade, subsidized trade and counter-trade, what should our attitude be?

I do not think we can abandon our traditional support for the multilateral system and trade liberalization. The logic of its benefits to us is too compelling.

Instead, we must work through multilateral organizations, especially the GATT, to keep the trading system open, so our exporters have a fair chance. We should work closely with the United States and our other trading partners to keep the system open, to persuade them that their best interests lie not in protectionism but in adjustment to change.

The next round of multilateral negotiations will try to bring non-tariff barriers under control. This is the single most important issue that the GATT contracting parties will face. In doing so, we all will also have to deal with the issue of structural adjustment. Most of the problems of the trading system since the early 1970s - especially non-tariff barriers - have been caused by the difficulties that economies experience in adjusting to the pressures of change.

While we prepare for these negotiations, we must at the same time redouble our trade development efforts. I had the pleasure of opening Export Trade Month in the company of some of our most active hi-tech exporters. We were in Washington for the International Public Transit Expo. Canada is a world leader in those technologies, and Canada was the largest single exhibitor at the fair. Trade fairs are held around the globe, and our Export Marketing Bureau can help you in displaying your products and services at all of them.

Later in the month, I also had the pleasure of opening the new trade information centre, Info Export, which is located in the Department of External Affairs building in Ottawa. It's there for your use, and I hope you will use it. It provides a toll-free telephone service to put you in touch with the trade professionals in federal government departments.

The number, by the way, is 1-800-267-8376, and our operators are standing by now. That number again is 1-800-267-8376.

These are really just examples of the kinds of trade support services offered by the department. All of these programs have served well, and we intend to make them even better. For example, I outlined in Saskatoon some proposed changes in the Program for Export Market Development, which we believe will make it serve its business clientele even better. We also decided to place a small staff in Washington to monitor early development of procurement opportunities at the multilateral development banks which are headquartered there. This and other refinements in our trade intelligence gathering system are designed to improve our ability to seize export opportunities in developing countries. These are rapidly developing markets, and we intend to improve the share of business Canadians obtain in this area.

We believe that Government must be more closely attuned than ever before to the export community. We intend to be. We intend to strengthen the communications network that links the private sector, federal export-oriented agencies and the counterpart provincial agencies. We intend to streamline government services to respond with a speed and precision that conform to the requirements of international business.

If we are to have excellence, it will have to be founded on collaboration between business and government.

But excellence presumes consensus as to the road ahead, and consensus can best be achieved through the kind of dialogue that I hope will begin here tonight and will end in the charting of a new course, a true course, in the development of our trade policy.

Thank you very much.