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Statement by the
Honourable James Kelleher,
Minister for International
Trade, to the Japan-Canada
Dialogue

TORONTO

October 28, 1985

Let me begin by bringing you greetings from the Prime Minister, the Right Honourable Brian Mulroney. I think you can see the gold seal at the bottom of the page, but I doubt you can read the words. So here's his message:

"It gives me great pleasure to extend greetings to the participants of this ninth Japan-Canada Dialogue and to commend the organizers, Ko Marita of the Nihon Keizai Shimbun and A. Roy Megarry of the Globe and Mail, on the success of their undertaking.

"I am particularly pleased to learn from Mr. Megarry of the large number of business people in attendance as dialogues such as this are a meaningful way of increasing understanding and expanding commercial relations between our two great nations.

"My Government attaches great importance to the strengthening of our relations with Japan. This is an ongoing commitment, as evidenced by the participation of my colleague, The Honourable James Kelleher, in today's proceedings and by my own journey to Calgary last May to address the Canada-Japan Businessman's Conference.

"May I wish you every success in meeting the challenges of the future."

And it's signed, "Brian Mulroney."

I would like to add my own congratulations to those of the Prime Minister. We are all aware of the key role played by the business media — not only in covering the business news but also in creating impressions and conveying images which have a profound influence on business decisions in the international marketplace. But a few really serious business publications in the world go further. They also take it upon themselves to contribute to the

world of business by organizing conferences such as this, and they deserve our appreciation and gratitude.

For many Canadians, the business day begins with the arrival of The Globe and Mail before breakfast. Its Report on Business is required reading in executive suites across the country.

I know that for most Canadians Nihon Keizai Shimbun is not exactly a household word. However, Mr. Morita, those of us interested and involved in the Japanese economy know your organization is the prime source of economic and commercial news for top Japanese business leaders. It is of enormous value to your readers that you have a correspondent resident in Toronto. And of course it is no less valuable to the Canadian business community that The Globe and Mail has a correspondent in Tokyo.

Nihon Keizai Shimbun also markets electronic news of Canada in Japan in the form of Infoglobe, and that is another important element in the relationship between these two news organizations, and another assist to the important and sometimes difficult task of helping two quite different cultures understand one another.

It is a pleasure to share the podium with his Excellency Ambassador Kioaki Kikuchi to discuss the theme of this Dialogue, "Opening Canadian and Japanese Markets". As you know, Ambassador Kikuchi, one of my first official visits abroad was to Japan to meet with ministers of your government and leaders of your private sector, and my primary mission certainly bore more than a passing relationship to today's theme.

Japan, as you know, is our second largest trading partner; we are your 11th largest market and seventh largest

supplier. In 1984 our exports to Japan were 70% of all of our exports to Western Europe.

In Japan there was a catch phrase in the early 1980's relating to the A B C countries. The initials stood for Australia, Brazil and Canada — the three countries regarded as the most dependable sources of raw materials for Japan's industry. Canada is pleased to be recognized as a long-term, secure and stable source for such products as coal, aluminum, lumber, wood pulp, copper and canola. Indeed, these commodities accounted for 95% of our export sales to Japan last year.

Canadian industry's commitment to the Japanese market is evident in the billions of dollars invested in plant and infrastructure to ensure our dependability. We are all aware of the substantial investments which have been made in the coal industry alone during the last 15 years.

It should be noted that these products have always left Canada without restriction or regulation. Commercial judgments and decisions have applied, and continue to apply, in these industries.

But the impact of Japan on the Canadian economy is far more than simply as a market for our export products.

In 1984 Japanese life insurance companies allocated 30% of their foreign securities holdings to Canada — second only to the United States, which got 35%. The investment in Canada worked out to \$7.2 billion. At the same time, Canadians have become increasingly active in the Tokyo syndicated loan market. Eight provinces made long-term arrangements last year alone.

Direct Japanese investment in Canada totals \$1.3 billion. Our share of Japan's direct investment abroad, however, is not as high as it might be. It's 2.3%, as against 27% in the U.S.A and 5% in Australia. My Government is

encouraged, of course, that many new plans for investment from Japan have been announced since the proclamation of the Investment Canada Act. One affect of this new legislation has been to make the Canadian market more accessible to Japanese companies.

Canada is presenting a freer business environment in other ways, as well. The changes we have made in the National Energy Policy are very important. Over the past year we have constructed an energy policy framework that will meet our goal of economic renewal. Of particular importance are two energy accords, one for eastern Canada and one for the west.

The Western Accord, reached with the provinces of British Columbia, Alberta and Saskatchewan, frees the forces of the marketplace and is especially interesting to the Japanese business community. The Western Accord is a new and fairer approach to doing business and a new approach to government. It provides a fairer fiscal regime for the industry and invites participation by Japanese companies. We are particularly interested in the Western Liquid Natural Gas Project and possible participation by the Japanese National Oil Company in the oil sands and frontier exploration.

Oil leads rather naturally to automobiles, and Canadians do have a certain enthusiasm for Japanese cars. I can tell you that our two governments have confirmed their understanding with respect to the export of Japanese automotive products to Canada. The Japanese have agreed to avoid disruption of the Canadian market, on the understanding that their exports be allowed to grow in a manner consistent with the total growth of the Canadian market. As a result of our understanding, we expect that Japanese exports will be about 18% of the anticipated market for 1985.

For our part, we seek to take full advantage of Japanese Government initi-

atives to increase our share of the largest market in the Asia Pacific area.

We welcome the liberalization policy announced by Prime Minister Nakasone in April. We welcome the Japanese Government's announcement of July 30th containing the major elements of an Action Program to implement that policy. These initiatives point in the right direction. In particular, we welcome Japan's continued support for a new round of multilateral trade negotiations that would include trade in services.

Canada is fully engaged, along with Japan, in promoting and preparing for what would be the eighth round of negotiations under the auspices of the General Agreement on Tariffs and Trade. This is one of the subjects of continuing concern at the Quadrilateral Trade Ministers' Meetings -- which are held twice a year between representatives of Canada, Japan, the Common Market and the United States. I had the pleasure of acting as host for the last Quadrilateral Meeting, in Sault Ste. Marie in July, and I had full opportunity there to discuss the next GATT round with Mr. Keiji Murata, Japan's Minister for International Trade and Industry. It is our hope that all countries that rely on international markets for their well-being will see it in their own best interest to participate constructively in this cooperative undertaking.

We now have an opportunity to get down to work seriously and to cooperate for common purposes and objectives. The new round will set in motion a process that will ultimately determine whether confidence in the multilateral trading system can be restored. An orderly and functioning world trading system is essential to continued economic growth, not only in Canada and Japan but throughout the world. A successful new round will strengthen the abilities of our two governments to preserve and enhance the access to mar-

kets that has been so painfully negotiated over the past four decades. It will also modernize the rules of trade so that they keep pace with the rapidly we are so particularly pleased that the Japanese government's Action Program addresses the need for a new GATT round.

In other respects, the Action Program is not perhaps as comprehensive as we might wish. Japan has responded positively to some specific Canadian requests. Yet the scale and nature of the response to date is not truly significant. We look especially forward to progress in the areas of agriculture, forestry and fisheries.

These are sectors in which we would be competitive were we allowed to be. In forest products, for example, we can ship raw logs to Japan duty-free, but the moment we add value by turning the logs into lumber, the duty goes up to 10 percent. There are import quotas on some of our agricultural products and inspection barriers that others must go through. Every jar of jam we try to get into the country, for example, is subject to individual inspection. As for fish, there are a variety of barriers, including quotas and tariffs in the 15 percent range.

In these all-important sectors, we would welcome measures that would put into action one of the basic tenets of the action program: "freedom in principle, restrictions only as exceptions".

In looking at where we go from here, we intend to take full advantage of the changes in the trade regime. However, we cannot depend on this alone to strengthen our bilateral economic ties with Japan.

And we do intend to strengthen them. You are aware, I'm sure, of the trade initiative that Canada is undertaking with the United States. Since three-quarters of our exports now go to the U.S., this initiative has a certain

importance to us. But let me make it perfectly clear — if it isn't already clear — that nothing we do with our neighbour to the south will in any way affect our trading efforts, or our trading relationships, in any other part of the world. We have launched a major initiative to expand our trade around the Pacific Rim, and the Pacific starts with Japan.

Here are some of the things we have in mind. The federal government, working with the business community and provincial governments, will undertake several new initiatives this year to encourage and assist cooperation, particularly in the manufacturing sector, between Canadian and Japanese companies. These initiatives include new trade promotion activities to create joint Canadian and Japanese marketing activities in the North American, Japanese and third country markets.

We have also made several specific decisions aimed at strengthening the trade and economic relationships between our two countries. Two weeks ago, I announced the opening of a consulate general in Osaka. This office will be in operation before the end of the year. The Osaka opening can be seen not simply in the context of our

bilateral relations with Japan. It is also part of the implementation of our national trade strategy — with its particular focus on Asia, the Pacific and the United States.

During the month of November alone, missions to Japan, jointly sponsored by my Department and the Department of Regional Industrial Expansion, will include 40 Canadian auto parts companies, 16 manufacturers of industrial materials and 10 large scale users of robotic manufacturing systems. Later this year and early in 1986, missions in other sectors, including biotechnology, micro-electronics and space industries, will take place with the full cooperation of Japanese government authorities.

We are, I believe, moving firmly in the right direction.

May I once again congratulate the organizers of today's Dialogue and wish them as much success in future years as they have had today. May I also wish you, the participants, well in your efforts to achieve a goal that is common to the private and public sectors in both Canada and Japan. That goal is the theme of this Dialogue: "Opening Canadian and Japanese Markets."

Thank you.