



STATEMENT

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AS DELIVERED

AN ADDRESS

**BY THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,**

TO THE

CANADIAN CHAMBER OF COMMERCE IN JAPAN

AND THE CANADA-JAPAN SOCIETY

**TOKYO, Japan
April 7, 1994**

I am delighted to have this occasion to address a combined luncheon of the Canadian Chamber of Commerce in Japan and the Canada-Japan Society.

I have come to Japan for several reasons:

- Japan is Canada's second-largest trade and economic partner. I want to understand, and help interpret for Canadians, the important changes that are taking place in Japan, and how these will impact on Canadian interests between now and the end of this decade.
- I want to lend support to efforts to stimulate domestic demand-led economic growth in Japan, including through deregulation and market-opening measures, for the benefit of both Japan's consumers and trading partners.
- I am here to support Canadian trade, investment and other business interests in Japan, consistent with our own Action Plan for Japan.
- Japan is a key player on the multilateral scene. I want my visit to strengthen the very good co-operation we enjoy with Japan in a variety of multilateral forums, particularly in consolidating the new World Trade Organization [WTO], which will come into being as early as January 1, 1995. Canada and Japan share common goals with regard to the need to maintain and strengthen the rules-based multilateral trading system. Earlier today, I conveyed that message personally to Prime Minister Hosokawa and to Deputy Prime Minister and Foreign Minister Hata, and I will be meeting on the same subject later today with my counterpart, Minister of International Trade and Industry Kumagai. As well, I want to take a fresh look at our existing bilateral mechanisms for government-to-government co-operation, to see if there is not scope to refine them further.
- Finally, my visit is intended to underline Canada's recognition of the leading role that Japan plays in the economic development of the Asia-Pacific, by far the fastest-growing economic region in the world. The Asia-Pacific region has become an economic powerhouse of vital importance to the world and to Canada. Next year, Japan will chair the APEC [Asia-Pacific Economic Co-operation] process, which will culminate in the 1995 meeting of APEC Heads of Government. The development of APEC not only signals the emerging importance of Asia in world affairs, it also provides an important new venue for enlarged Canada-Japan co-operation.

I should preface my remarks by reminding you of just how important trade is to the Canadian economy. Exports account for more than one quarter of Canada's GNP [gross national product], as opposed to about 10 percent for Japan and the United States.

Some two million jobs in Canada are directly or indirectly dependent on exports. And in the increasingly open global economy, exports have become a key source of economic growth for Canadians.

Canada's economic relationship with Japan is extremely important. Our bilateral trade with Japan exceeded C\$19 billion in 1993, a 5-percent increase over the previous year. But more impressively, despite the economic downturn in Japan that has slowed the growth of imports from elsewhere, Canadian exports to Japan grew at a rate of 13 percent.

As the recent G-7 Jobs Summit in Detroit demonstrated, all industrial economies face complex structural problems and uncertain growth and employment prospects. The future prospects for trade and investment will largely be determined, of course, by the health of the Japanese economy, and the way in which it adapts to the structural challenges posed by an ageing society, an appreciating currency, and the imperative of reducing its burgeoning current account surpluses.

At this moment of extraordinary global political and economic change, my mission is intended, early in the mandate of the new government, to assess the nature of these changes here in Japan, and to direct Canadian policy accordingly.

For this reason, I have invited a group of leading analysts, economists, businesspersons — and even some politicians — to join with me tomorrow in a round-table discussion on Japan's mid-term economic prospects, and the implications for Canada's trade and economic relations with Japan.

We already face some important structural challenges in our business relationship with Japan:

- The Japanese market is changing along with the Japanese economy: expanding Canadian exports to Japan will depend on our ability to cater to the most rapidly growing market segments — that is, those for higher value-added products.
- These trends mean that many of our traditional resource-based commodities, such as coal, face low international prices and a levelling-off in demand in Japan for their products.
- Japanese investment in Canada is not only important for promoting Canadian economic growth, but is also essential for building business partnerships that will help Canadian firms prosper in world markets. We need to ensure that Japanese companies are aware of the many advantages of investing in Canada, as an export base servicing the North American, Japanese and third-country markets.

I would argue, however, that Japan's changing import profile offers major opportunities for our exporters to add value to their products prior to export, to meet the new demands of the Japanese market.

Canadian business recognizes these imperatives and is working with the federal and provincial governments to implement action plans in seven priority sectors — processed foods, fisheries products, building products, information technologies, auto parts, tourism and aerospace.

Together, these plans constitute our "Canadian Action Plan for Japan" — an integrated effort by all federal and provincial governments, in support of clearly articulated private-sector strategies, for realizing our potential in these high-priority growth sectors.

The elements of our new Action Plan include:

- placing more emphasis on building awareness of business opportunities in Japan;
- bringing more participants into the market and encouraging them to develop a strategy for five to 10 years down the road;
- establishing sectoral and regional business support networks;
- engaging industry leadership, in partnership with governments, to support small and medium-sized Canadian businesses in their export initiatives; and, most importantly,
- seriously tackling the adaptation of our product to, or indeed the design of our product for, the needs of the Japanese customer.

Twenty Canadian companies have come with me to Japan in search of both Japanese partners and the right formula to enter and expand in Japan's rapidly increasing market in three of our specific Action Plan sectors: building products, processed foods and information technologies. All 20 have attractive products and a commitment to establishing a business presence here in Japan.

We started in Fukuoka, where the reception given us by Kyushu business leaders confirmed both the wisdom of setting up an office in Fukuoka and the potential that awaits Canadian exporters there, and in Japan's other regional markets. We had several interesting and productive sessions with our friends in Fukuoka before our companies left to pursue separate programs

throughout Japan, tailored to meet their individual business interests.

Canada has established a network of trade offices in cities throughout Japan, to better serve our growing regional trade interests. In addition to the Embassy in Tokyo, consulates have been established in Osaka, Fukuoka and Nagoya, and representative offices have been placed in Hiroshima, Sendai and Sapporo.

After leaving Japan, I shall travel on to Morocco for the Marrakesh Ministerial meeting, which will formally bring to a close eight years of multilateral trade negotiations in the Uruguay Round. I cannot stress enough the positive impact that we expect the implementation of the results of the Uruguay Round to have on the world economy in expanding trade and increasing employment.

We are certainly pleased with what was achieved in the Uruguay Round. I must say, however, that we wanted an even bigger package on market access. Our aim was, and still is, to seek GATT [General Agreement on Tariffs and Trade]-bound barrier-free entry — global free trade — in such sectors as wood, fish, non-ferrous metals, and the full range of high-technology products. We were also prepared to support global free trade in sectors of export interest to Japan — film, rubber products, fertilizers and musical instruments — but this did not prove possible. I can assure you, however, that we will continue to press for these multilateral market opening measures in the future, including in the context of the new WTO.

Japan and Canada share a commitment to a strong rules-based multilateral trading system. This is why we both made difficult concessions — especially in the area of agriculture — to secure a successful conclusion to the Uruguay Round. The commitments made in the Round will serve not only to lower tariffs, remove non-tariff barriers and break new ground on services and dispute settlement, but also to put in place the WTO, the forum in which trade problems, in our view, can best be resolved.

At this historic juncture, we view it as extremely important that the major multilateral players — Canada, the United States, Japan and the European Union — pursue trade policies that strengthen, not weaken, the rules-based multilateral trading system we have all worked so hard to put in place and which is finally within our grasp.

It is therefore unfortunate, and somewhat ironic, that the past few weeks have been dominated by continuing trade tensions among the quadrilateral countries — in particular between Japan and the United States. These tensions have served to unsettle currency markets and to undermine business confidence.

The lessons of postwar trade liberalization teach us that three basic principles are fundamental to a rules-based approach to trade: national treatment, non-discrimination and transparency. It is incumbent on all members of the GATT to seek to ensure that their trade practices respect these principles. I have no doubt that Japan and the United States are committed to these principles. But like many other observers, I am concerned that a results-based approach to trade policy could undermine the rules-based international trading system itself.

We are particularly concerned that any bilateral arrangements between our major trading partners genuinely serve to create new trade opportunities for all, not preferential conditions of access for one party, which may distort both trade and investment flows.

Quite aside from fears that bilateral deals will harm the trade interests of Japan's other trading partners, however, we are concerned about what they might do to damage the integrity of the multilateral trading system.

In this regard, we regret the revival of "Super 301" by the United States. The timing of its renewal, just before the signing of the final act of the Uruguay Round, is particularly disturbing.

I think it is fair to say, however, that there is a broad recognition, including by the Japanese government, that meaningful action to address Japan's chronic current account surpluses is essential.

In addition to additional measures designed to support domestic demand-led economic recovery, it has been made clear that there is a need for meaningful regulatory and administrative reform to increase transparency and competition in Japan's domestic market. This is particularly true in some important service sectors, such as distribution, transportation, communications and financial services.

We in Canada warmly welcome the initiatives that the Government of Prime Minister Hosokawa has taken to date in the area of deregulation, and we look forward to seeing this process continue at an accelerated pace. Deregulation would ensure a better pass-through of the higher value of the yen, resulting in lower consumer prices, and thus increasing domestic demand, including demand for imports.

For example, deregulatory measures currently under study to allow more efficient land use and the deployment of innovative foreign building technologies, promise to dramatically increase the affordability and quality of housing in Japan.

This would open major opportunities for companies in Canada, whose technology in building materials, systems and services is on the cutting edge. Later today, I will be speaking to the Minister of Construction about further co-operation in the introduction of Canadian home-building methods in Japan, and about the possibilities for increased mutual recognition of standards and product certification in the building sector.

Japanese consumers have already benefited from the two-by-four housing system introduced in co-operation between the Ministry of Construction and the Government of Canada some 20 years ago. Even so, the potential for Canadian technologies to provide cheap and spacious housing for Japan remains limited by a welter of regulations, many of which appear to us to be quite unnecessary.

I am delighted, however, to see a consensus developing in Japan that these and other regulatory barriers can and should be removed, not only in the interest of resolving trade frictions, but also, and equally importantly, in the interest of the Japanese people.

We do not expect this to be a one-way street. We understand the need to do our part to become more competitive. Our companies are, in fact, increasingly so. Deregulation in Canada through the 1980s, and the benefits of North America-wide competition (first through the Canada-U.S. Free Trade Agreement and subsequently in the North American Free Trade Agreement) have sharpened the ability of Canadian companies to compete worldwide.

Strengthened international competitiveness is particularly essential as we seek to expand our trade throughout Asia. APEC has emerged as a key forum for governments to address the challenges of expanding trade and economic co-operation in the Asia-Pacific region.

Canada places a priority on the Asia-Pacific region and on the APEC forum in our foreign and trade policy agenda. Canada and Japan have worked well together in keeping APEC on the right track. We want to build on the personal relationships established at the Ministerial and Leaders meeting in Seattle last November, in developing an APEC agenda for effective regional co-operation.

The economic dynamism of Asia will ensure that priority is accorded within APEC to co-operative activities directed at facilitating trade, investment and technology flows.

Equally important, an enhanced Ministerial dialogue in APEC allows us to jointly set priorities on environment, employment and youth issues, which are all priorities within our domestic agendas, but where answers are increasingly found through multilateral discussion and co-operation.

The economic dynamism of the Asia-Pacific region is founded on strong private-sector leadership and a shared commitment to liberalization in support of growth. APEC provides the vehicle for us to set the regional agenda and to work together to advance these objectives in other multilateral forums. As this region grows in economic importance, APEC's role in influencing the global agenda will also inevitably increase.

Canada and Japan have much to gain in a closer and more comprehensive relationship. We share many common ideals, and work well together in multilateral pursuits. Together we have contributed to a significantly more liberal world trading environment, from which both our economies benefit immensely. Bilaterally, we have a strong and mutually beneficial relationship, but we must be conscious of the impact that changes in our own economies — and in the global trading environment — will have on that relationship.

For the adventuresome, change is also opportunity. I hope Canadians will approach Japan in that spirit. The high yen, deregulation, fiscal stimulus, Japan's move to domestic-led growth — all promise to provide new openings for Canadian firms in Japan. For Japan, Canada remains not just an attractive market, but also, I would hope, a source of innovative technologies and quality value-added products, a place to invest, and a partner for North American and world markets.

Let us see what we can achieve together.

Thank you.