

Statement

Discours

Minister for
International
Trade



Ministre du
Commerce
extérieur

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CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS BY THE
MINISTER FOR INTERNATIONAL TRADE

JOHN C. CROSBIE

AT THE CANADA-UNITED KINGDOM

CHAMBER OF COMMERCE

LONDON, ENGLAND

February 3, 1989

MR. HIGH COMMISSIONER, MY LORDS, MR. PRESIDENT, LADIES AND GENTLEMEN,

LET ME SAY AT THE OUTSET HOW PLEASED I AM TO BE INVITED TO SPEAK TO THE CANADA-UNITED KINGDOM CHAMBER OF COMMERCE.

CANADA'S LINKS WITH BRITAIN REACH BACK TO OUR EARLIEST HISTORY. IN 1497, JOHN CABOT, SAILING UNDER THE SPONSORSHIP OF HENRY VII, MADE LANDFALL IN MY PROVINCE OF NEWFOUNDLAND. SIR HUMPHREY GILBERT FORMALLY CLAIMED NEWFOUNDLAND FOR ENGLAND ON ST JOHN'S DAY IN 1583 ON THE SHORES OF THE HARBOUR SINCE KNOWN AS ST JOHN'S.

TODAY, THE IMPERIAL CONNECTION IS LONG GONE. IN ITS PLACE, WE SHARE MEMBERSHIP IN MANY INSTITUTIONS, THE UN, THE OECD, NATO AND THE COMMONWEALTH, OF WHICH CANADA IS A PROUD AND ACTIVE MEMBER. THE HOSTING BY CANADA OF THE COMMONWEALTH HEADS OF GOVERNMENT MEETING IN VANCOUVER, IN OCTOBER 1987 RECENTLY HIGHLIGHTED OUR COMMITMENT TO THIS UNIQUE INSTITUTION.

MANY SIGNIFICANT CHANGES HAVE TAKEN PLACE IN OUR TWO COUNTRIES OVER THE LAST DECADES. THE UNITED KINGDOM'S MEMBERSHIP IN THE COMMUNITY HAS HAD A MARKED EFFECT ON ITS TRADING PATTERN. WHEREAS IN THE MID SIXTIES, LESS THAN 20 PERCENT OF UK TRADE WAS WITH THE EC, IT NOW ACCOUNTS FOR MORE THAN 50 PERCENT AND SOME FORECASTS INDICATE THAT BY THE YEAR 2000, 75 PERCENT OF UK TRADE WILL BE WITH OTHER MEMBER STATES.

THE UK'S DECISION TO JOIN THE COMMUNITY HAS MEANT THAT THE CANADA/UK BILATERAL TRADING RELATIONSHIP IS NOW PART AND PARCEL OF CANADA'S LARGER RELATIONSHIP WITH THE COMMUNITY. EC REGULATIONS AND POLICIES HAVE INFLUENCED THE TYPES AND VOLUMES OF OUR EXPORTS TO THE UK, SOMETIMES HAVING AN ADVERSE IMPACT, AS IS THE CASE WITH CERTAIN AGRICULTURAL AND FOOD PRODUCTS.

HAVING SAID THAT, ON THE WHOLE, THE TRADING RELATIONSHIP BETWEEN OUR TWO COUNTRIES HAS CONTINUED TO FLOURISH - SOME CANADIANS MIGHT SAY IN SPITE OF THE COMMUNITY - GROWING FROM £860 MILLION TWO-WAY TRADE IN 1967 TO A HEALTHY £3.8 BILLION IN 1988. THROUGH MORE THAN FOUR CENTURIES OUR PEOPLES HAVE SET DOWN DEEP ROOTS FOR ON-GOING ECONOMIC AND COMMERCIAL RELATIONS.

BRITISH EXPORTS TO CANADA TOTALLED £2.2 BILLION IN 1988, ONE THIRD OF WHICH WAS CRUDE PETROLEUM. OTHER MAJOR EXPORTS INCLUDED CHEMICALS, KITCHEN UTENSILS, ENGINES AND TURBINES.

THE UK IS CANADA'S MOST IMPORTANT TRADING PARTNER WITHIN THE EC AND CANADA'S THIRD LARGEST EXPORT MARKET AFTER THE USA AND JAPAN. CANADA'S EXPORTS TO THE UK TOTALLED £1.57 BILLION IN 1988. MAJOR EXPORTS INCLUDED FOREST PRODUCTS, MINERALS FOOD PRODUCTS AND MANUFACTURED EQUIPMENT.

MANUFACTURED AND HIGH TECHNOLOGY PRODUCTS ARE THE FASTEST GROWING PART OF CANADA'S EXPORTS TO THE UK. CANADIAN EXPORTS TO BRITAIN OF TELECOMMUNICATIONS, OFFICE COMPUTER AND SCIENTIFIC EQUIPMENT NOW EXCEED £100 MILLION.

FACED WITH AN INCREASINGLY COMPETITIVE MARKET, CANADIANS ARE DEMONSTRATING THEIR SKILL FOR INNOVATION EVEN AMONG OUR MOST TRADITIONAL EXPORTS. ONE GOOD EXAMPLE IS SEAFOOD - FISHERY PRODUCTS INTERNATIONAL, ONE OF THE LARGEST FISHING COMPANIES IN THE WORLD, OPERATES A RECENTLY CONSTRUCTED PLANT IN BURIN, NEWFOUNDLAND PRODUCING READY-FOR-THE-TABLE SEAFOOD ... LIKE MICROWAVE PACKS ... ALMOST EXCLUSIVELY FOR THE UK MARKET.

ON THE SUBJECT OF FISHERIES, DURING MY VISIT HERE IN LONDON, I HAVE ASKED BRITISH MINISTERS WHAT ADVICE THEY MIGHT OFFER ON HOW WE CAN ACHIEVE A SETTLEMENT ON THE VERY SERIOUS OVERFISHING BY SOME EUROPEAN COUNTRIES IN THE INTERNATIONAL WATERS NEAR THE GRAND BANKS OF NEWFOUNDLAND. THE THREAT THIS POSES TO PROPER MANAGEMENT OF CANADIAN FISH STOCKS IS A VERY REAL ONE, ON WHICH HANGS THE LIVELIHOOD OF THOUSANDS OF FISHERMEN IN ATLANTIC CANADA.

ALLOW ME TO SAY A LITTLE MORE ABOUT OUR BILATERAL RELATIONSHIP. SOME 150 CANADIAN FIRMS HAVE AN ESTABLISHED PRESENCE IN THE UK AND SOME 650 BRITISH FIRMS HAVE SUBSIDIARIES IN CANADA. BRITISH INVESTMENT IN CANADA TOTALLING \$11.2 BILLION (CANADIAN) OR £5.2 BILLION IS SECOND ONLY TO AMERICAN. CANADIAN INVESTMENT IN THE UK EXCEEDS £2 BILLION, AND THAT INVESTMENT IS GROWING.

FOR EXAMPLE, IN RECENT YEARS, CANADIAN MAJOR TELECOMMUNICATIONS FIRMS ... LIKE NORTHERN TELECOM, MITEL, NEWBRIDGE, COGNOS, COMPUTING DEVICES AND GANDALF ... HAVE ESTABLISHED OFFICES IN BRITAIN.

THE REAL ESTATE FIRM OLYMPIA AND YORK IS DEVELOPING THE MASSIVE CANARY WHARF PROJECT HERE IN LONDON, AN EXCITING VENTURE, THE LARGEST OF ITS KIND IN EUROPE.

CANADIANS HAVE OVER THE YEARS ACQUIRED SUBSTANTIAL PUBLISHING INTERESTS IN THIS COUNTRY AND JUST THIS MONTH CANADIAN COMPANIES HAVE ANNOUNCED MAJOR INVESTMENTS IN THE UK IN CABLE TELEVISION AND MAGAZINE PUBLISHING.

BRITISH AND CANADIAN COMPANIES HAVE LONG SHARED IMPORTANT TECHNOLOGY PARTNERSHIPS. THIS IS THE WAY OF THE FUTURE. CANADA-U.S. FREE TRADE AND EUROPEAN INTEGRATION PROVIDE NEW INCENTIVES FOR EXPANSION OF SUCH JOINT VENTURES TO SERVE BOTH THE EUROPEAN AND NORTH AMERICAN MARKETS. SEEKING NEW PARTNERSHIPS CONTINUES TO BE A PRINCIPAL OBJECTIVE FOR THE CANADIAN HIGH COMMISSION, WORKING TOGETHER WITH THE REPRESENTATIVES OF THE SIX PROVINCIAL GOVERNMENTS HERE IN LONDON.

AS AN INTERNATIONAL FINANCIAL CENTRE, LONDON HAS ATTRACTED MAJOR CANADIAN BANKS, INVESTMENT HOUSES, INSURANCE COMPANIES AND TRUST COMPANIES TO THE UK. AS AN EXAMPLE OF THIS IMPORTANCE THE LONDON FINANCIAL COMMUNITY RAISED A RECORD 18 BILLION DOLLARS IN EURO CANADIAN FUNDS LAST YEAR. ALL OF THIS MAKES THE UK A MAJOR PARTNER IN CANADA'S BILATERAL TRADE STRATEGY, AS WELL AS BEING A LEADING PLAYER IN THE TREND TOWARDS LIBERALISING THE GLOBAL TRADING ENVIRONMENT.

FINALLY, ONE MUST NOT UNDERESTIMATE THE IMPORTANCE OF PEOPLE IN THIS IMPORTANT TRADE RELATIONSHIP. SOME 500,000 CANADIANS CAME TO THE UK LAST YEAR WHILST 450,000 BRITISH CITIZENS VISITED CANADA.

BY ANY YARDSTICK, WHAT I HAVE JUST DESCRIBED MEANS THAT BRITAIN REMAINS ONE OF CANADA'S MOST IMPORTANT PARTNERS IN THE INTERNATIONAL COMMUNITY. INDEED, THERE IS A GREAT POTENTIAL FOR GROWTH TO BE BUILT UPON WHAT REMAINS VITAL IN THE OLD RELATIONSHIP WHILST OF COURSE PROMOTING THE MUTUAL INTEREST AND ADVANTAGES BETWEEN TWO OF THE WORLD'S SEVEN LARGEST INDUSTRIALIZED DEMOCRACIES.

TURNING NOW TO CANADA'S PLACE IN THE GLOBAL ECONOMY, I WOULD LIKE TO REVISIT WITH YOU HOW, OVER THE PAST FOUR AND A HALF YEARS, THE GOVERNMENT LED BY PRIME MINISTER MULRONEY, HAS FOCUSED 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;
- CANADA'S NOMINAL EXPORTS HAVE INCREASED BY 23 PERCENT OVER THOSE 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 HAS BEEN BROUGHT UNDER CONTROL AND THE GOVERNMENT IS AWARE OF THE NEED TO DO EVEN MORE;
- 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 TO LIBERALIZE 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 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 TURNED AROUND. 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 DEVELOPING NEW GROWTH OPPORTUNITIES, PARTICULARLY WITH EUROPE AND THE PACIFIC RIM.

THESE INITIATIVES MARK 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.

AS YOU PROBABLY WILL HAVE HEARD, THE PRIME MINISTER HAS ASKED ME TO SERVE THE NEW GOVERNMENT ONCE AGAIN AS MINISTER OF INTERNATIONAL TRADE. INCLUDED IN MONDAY'S ANNOUNCEMENT WAS THE ESTABLISHMENT OF 2 NEW CABINET COMMITTEES. ONE DEALING WITH ENVIRONMENTAL ISSUES, THE OTHER, AN EXPENDITURE REVIEW COMMITTEE WHICH WILL BE CHAIRED BY THE PRIME MINISTER AND WILL REVIEW ALL GOVERNMENT EXPENDITURE PLANS. ENVIRONMENT AND DEFICIT REDUCTION WILL BE PROMINENT ON THE GOVERNMENT'S AGENDA IN THE MONTHS AHEAD.

MANY CHALLENGES LIE AHEAD FOR CANADA AND OTHER MAJOR TRADING NATIONS. MOST IMMEDIATELY, ACHIEVING BUDGET DEFICIT REDUCTIONS IS A PRIORITY FOR SEVERAL LARGE TRADING NATIONS. EQUALLY THE PROBLEM OF LARGE SURPLUSES IN TRADING ACCOUNTS OF SOME OF OUR PARTNERS CANNOT BE IGNORED. ALSO, DEALING WITH THE DEBT PROBLEM OF MIDDLE-INCOME DEVELOPING COUNTRIES AND REACHING A SUCCESSFUL OUTCOME IN THE ONGOING GATT ROUND - PARTICULARLY IN AGRICULTURE AND INTELLECTUAL PROPERTY WILL REQUIRE CONTINUED COORDINATION AND COOPERATION AMONG ALL MAJOR TRADING PARTNERS.

GATT HAS A MOST IMPORTANT ROLE TO PLAY IN MAINTAINING AND ENHANCING AN OPEN INTERNATIONAL TRADING SYSTEM. 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-TARIFFS;
- TO ACHIEVE EFFECTIVE RULES FOR AGRICULTURAL TRADE, 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 ACTION; 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 ALTHOUGH IT DID RESULT IN VALUABLE PROGRESS IN OTHER AREAS. IN FACT AGREEMENT WAS REACHED IN 11 OF 15 AREAS. ONE SHOULD REALIZE THAT THE SCOPE OF THE URUGUAY ROUND AGENDA IS MUCH MORE COMPREHENSIVE THAN THAT OF ANY PREVIOUS ROUND. ALSO, MANY MORE DEVELOPING COUNTRIES AND NEWLY INDUSTRIALIZED COUNTRIES ARE TAKING AN ACTIVE ROLE IN THE NEGOTIATIONS. THIS DOES NOT SIMPLIFY THE TASK OF REACHING AGREEMENT. MANY DIFFICULT QUESTIONS REMAIN TO BE ADDRESSED, IT IS WORTH RESOLVING THEM, BUT HOPING FOR DRAMATIC EARLY RESULTS WOULD BE UNREALISTIC. IT WAS CLEAR AT MONTREAL THAT GATT MEMBERS ARE NOT WILLING TO MERELY PAPER OVER THE DIFFERENCES AND THIS IS, I BELIEVE, A SIGN OF THEIR COMMITMENT TO A HEALTHY MULTILATERAL TRADING SYSTEM.

EUROPEANS INCLUDING BRITISH LEADERS, HAVE EXPRESSED THE VIEW THAT U.S. CURRENT AGRICULTURAL GOALS IN THE GATT ROUND ARE OVER-AMBITIOUS. ALTHOUGH WE MAY AGREE THAT THE INITIAL U.S. PROPOSAL OF ENDING ALL SUBSIDIES BY YEAR 2000 WILL NOT BE THE OUTCOME OF THIS ROUND OF NEGOTIATIONS, MAKE NO MISTAKE THAT CANADA IS FIRMLY IN THE CAMP THAT WANTS AN END TO THE DISRUPTIVE IMPACT OF THE EUROPEAN COMMUNITY COMMON AGRICULTURE POLICY. THE WORLD LOOKS TO A SUBSTANTIAL COMMITMENT FROM EUROPE TO ADJUST THESE POLICIES. MEANWHILE, WE ARE EXPECTING BOTH THE COMMUNITY AND THE U.S. TO DEMONSTRATE THE POLITICAL WILL NECESSARY TO MOVE NEGOTIATIONS FORWARD.

IMPORTANT PROGRESS HAS SO FAR BEEN MADE ON MARKET ACCESS, TRADE RULES, DISPUTE SETTLEMENT, THE FUNCTIONING OF THE GATT, TRADE IN SERVICES AND TROPICAL PRODUCTS.

I AM OPTIMISTIC THAT THE GROUNDWORK HAS BEEN LAID FOR FURTHER PROGRESS ON THE THORNIEST ISSUES IN THE MONTHS AHEAD.

AFTER MUCH HARD BARGAINING OVER THE NEXT TWO YEARS, I AM CONFIDENT THAT 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.

SOME HAVE ACCUSED CANADA OF FOCUSING TOO MUCH ENERGY ON ITS TRADE RELATIONSHIP WITH THE US. THE WISDOM OF OUR COMMITMENT TO SECURING AND ENHANCING ACCESS TO OUR MOST VITAL EXPORT MARKET SHOULD BE OBVIOUS. BUT EQUALLY IMPORTANT IS OUR COMMITMENT TO GLOBALLY COMPETITIVE CANADIAN BUSINESS. THAT IS ALSO THE STATED OBJECTIVE BEHIND THE COMPLETION OF THE SINGLE EUROPEAN MARKET. THE EUROPEAN MARKET REMAINS ESSENTIAL FOR US. 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 HOPEFUL 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.

LOOKING AT THE SINGLE EUROPEAN MARKET, WE DO, HOWEVER, STILL HAVE CONCERNS WITH RESPECT TO THE DEVELOPMENT OF EUROPEAN STANDARDS - SUCH AS THE EURO LUMBER CODE, THE CREATION OF NEW RULES OF ORIGIN AND THE EVENTUAL IMPLEMENTATION OF THE RECIPROCITY CONCEPT.

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 THE MULTILATERAL TRADE NEGOTIATIONS. FROM MY MEETINGS BOTH HERE IN LONDON AND IN ROME AND MILAN, I HAVE TAKEN COMFORT IN THE FACT THAT BRITISH AND

ITALIAN BUSINESS AND POLITICAL LEADERS SHARE THAT GENERAL VIEW. HOWEVER, IT WILL REQUIRE CONTINUED EFFORT ON ALL PARTS TO SEE THAT IN PRACTICE REGULATIONS LIVE UP TO THE PRINCIPLE OF LIBERALIZED TRADE.

ALTHOUGH WE RECOGNIZE THAT THE COMPLETION OF THE SINGLE MARKET IS ESSENTIALLY AN INTERNAL PROCESS, TRANSPARENCY AND ONGOING DIALOGUE BETWEEN THE EC, ITS MEMBER STATES AND ITS EXTERNAL TRADING PARTNERS WILL SERVE TO AVOID UNCERTAINTY ABOUT THE POSSIBLE ENGINEERING OF TRADE BARRIERS AS A RESULT OF 1992.

VERY MUCH LIKE THE UNITED KINGDOM, WE SHALL REMAIN VIGILANT AGAINST THE CREATION OF FORTRESS EUROPE. BRITAIN HAS BENEFITED FROM A SUBSTANTIALLY DEREGULATED MARKET BOTH IN RESPECT OF GOODS AND SERVICES AND WE RECOGNIZE YOUR VIEW THAT IT IS IN YOUR INTEREST THAT THIS MARKET REMAINS UNREGULATED RATHER THAN BEING SUBMITTED TO NEW CONTROLS IMPORTED FROM THE CONTINENT.

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 CONTINUE TO 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. IT IS IMPORTANT TO STRESS THAT THE FREE-TRADE AGREEMENT WILL NOT CREATE ANY NEW BARRIERS TO TRADE FOR THIRD COUNTRIES. 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.

WE KNOW THAT PRESENTLY AGGRESSIVE EUROPEAN COMPANIES ARE INVESTIGATING THE NEW OPPORTUNITIES FOR TRADE AND INVESTMENT THAT CANADA-U.S. FREE TRADE WILL BRING. WE CERTAINLY INVITE MORE COMPANIES TO DO THE SAME AS WE ARE CONVINCED THAT 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 CAPITAL, WHEN MEASURED IN TERMS OF PURCHASING POWER.

CANADA BOASTS HIGHLY DEVELOPED MANUFACTURING AND SERVICE SECTORS WHICH HAVE BENEFITED AT THE OUTSET 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 TECHNOLOGICAL INNOVATION. YOU WILL BE INTERESTED TO NOTE THAT CANADA MANUFACTURES MORE AUTOMOBILES THAN THE UNITED KINGDOM.

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 (CANADIAN) 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

- VERY IMPORTANTLY, TO MAINTAIN CANADA'S PROMINENT POLITICAL AND ECONOMIC PROFILE ON THE INTERNATIONAL SCENE AS A RESPONSIBLE, RESPECTED AND TRUSTED DEMOCRACY.

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 COMPLEMENTED 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. THE UNITED KINGDOM WE KNOW, ALSO VIEWS ITS FUTURE WITH GREAT OPTIMISM. THE WORLD NEEDS SUCH OPTIMISM AND FOR COUNTRIES SUCH AS OURS TO WORK TOGETHER TO FACE THE MANY CHALLENGES THAT LAY AHEAD OF US ALL.