

Statement
Minister for
International
Trade



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NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

AT THE WORLD ECONOMIC FORUM

OTTAWA

June 15, 1989.

It gives me great pleasure to be able to participate in this forum on Canada. Thank you for inviting me.

Our topic in this session is trade and investment:

- Canada's strategy for export market development;
- our trade negotiating strategy; and
- the link between trade and investment policy.

Let me start by turning back the clock to 1984, when my colleagues and I first took office. It was in November of that year that we published a document entitled A New Direction for Canada: An Agenda for Economic Renewal.

In that paper, we stated that "restoring Canada's stature as a first class trader was fundamental for economic renewal". We noted that "Canada was the only major industrialized country without secure access to a market large enough to permit substantial economies of scale". And we stated that "if we are to foster growth through trade, we must obtain more secure and improved access to foreign markets on the broadest possible basis".

In light of these realities we promised, "as a matter of priority" to examine "all avenues to secure and enhance market access" including "a careful analysis of options for bilateral trade liberalization with the United States", as well as preparing for multilateral negotiations.

That is what we promised in November of 1984; and, as you know, that is exactly what we did during the next four years.

We called it our 2 track trade policy.

Track number 1 was, of course, a bilateral free trade agreement with the United States. It's purpose? First, to improve the ability of our value-added producers to compete internationally, by securing tariff-free access to a world-scale market. Second, to limit the uncertainty caused by the growing resort to non-tariff barriers.

And third, to strengthen our negotiating position in future multilateral discussions, particularly in such ground-breaking sectors as trade in services and investment.

Track number 2 was the next round of GATT negotiations -- now known as the Uruguay Round -- where our fundamental objective is to increase our opportunities to actually compete for export sales.

I emphasize the two track nature of our trade policy for a purpose: to highlight the different, but complementary, objectives of each track. For the Free Trade Agreement, while clearly about increasing exports, is more about increasing our ability to compete at home and abroad, while the ongoing GATT negotiations focus on increased opportunity to trade -- to use our new found ability.

Now, as my colleagues and I commence our second mandate with the bilateral free trade agreement in place, we are attempting to take the next step forward.

Our first goal for this second term is a successful conclusion to the Uruguay Round -- a result that is absolutely critical to global prospects. Indeed I would suggest it is no exaggeration

to say that the continued health of the world economy depends on the progress we make in the Uruguay Round.

I, for one, find it frightening to contemplate our collective future is the absence of multilateral order based on non-discrimination.

Clearly, life would be particularly hard for the small and middle powers of the world -- those nations, like Canada, with a huge stake in trade but with limited power to intimidate or bully the major powers.

Fortunately, such trade disorder would be a disaster for all countries -- no matter how big and powerful. For in today's interdependent world, no nation is an island unto itself. Those who aim across borders inevitably shoot themselves in the foot - or higher.

Unilateral action to help one industry will merely prompt a unilateral response which hurts another. And unilateral trade action could even prompt a unilateral debt reaction, which could threaten the very foundations of the global economy.

It is obvious, therefore, that we simply must avoid failure. And our efforts should be redoubled in the knowledge that success will not only prevent a catastrophe - it will create the conditions for real and tangible progress.

Take, for example, the link between agricultural trade and international finance. One of the benefits of agricultural reform would be higher returns to the LDC's for their exports, thereby easing their debt burden. But a second benefit would be lower budgetary deficits in North America through the lowering of wasteful subsidies. And that, in turn, would surely have a beneficial impact on interest rates, which would ease the debt servicing costs of LDC's even further. Combine meaningful progress on trade with a credible U.S. fiscal policy, and one has the foundation for growth into the 90's.

As rational people, we can see such links. But, as we all know, national policies are not always rational policies. So success is far from assured. It is going to take much effort, and even more wisdom, to see our way through.

Equally challenging, in its own way, is our second goal -- to create a global mindset among Canadian traders so they raise their sights beyond North America.

We call our second term program our three pillar strategy -- a strategy to seize opportunities not just in the American market, but in Europe and Asia-Pacific as well.

In the U.S., we are investing additional resources in a multifaceted trade development program involving trade missions, trade fairs and an expansion of our trade offices.

Our strategy regarding the second pillar -- Europe -- can be stated simply.

We are closely monitoring the 1992 internal market process, and have created a number of working groups to identify risks and opportunities.

We will continue to use the GATT as the primary forum for Canada-E.C. relations, recognizing that the completion of the European internal market may require significant reform of external policies; and we hope to encourage strategic alliances in higher technology sectors to promote two-way investment.

The third pillar, of course, is the dynamic Asia Pacific, centred on Japan. And the cabinet will soon be addressing our Pacific 2000 Initiative. This program will entail increased scientific and technological links through the Japan Science and Technology Fund; an aggressive trade promotion strategy; cultural and language studies to increase our knowledge of Asia, and a communications campaign to raise their knowledge of us, so Asians have a clearer picture of who we are and what we can do.

So that is how we intend to diversify our export markets, through:

- . a three pillar strategy geared to the megamarkets of Europe, the U.S. and a Japan-centred Asia Pacific;
- . with multilateral liberalization as the door to export opportunities;
- . and the bilateral free trade agreement with the U.S. as the key to our ability to compete both at home and abroad.

In negotiating terms, we wish to move from the Free Trade Agreement to the GATT. In psychological terms, we want Canadians to increasingly look beyond North America across the Atlantic and Pacific.

So far, I have focused on trade policy for the 90's. Yet we all know that in today's global economy, trade policy is more and more about investment and less and less about exports.

I believe that Canada will continue to rank favourably as an excellent host for foreign investment.

The FTA is certainly helpful in this regard, in that it addresses the problem of scale that has long been a deterrent to direct investment in Canada.

As Michael Wilson just discussed, we are also acting to ensure fiscal stability and a sound currency. And I stress the word act -- we are not simply assuming our problems away.

And we will shortly be replacing our antiquated manufacturers sales tax with a modern sales tax system that removes the current disincentive to locate production here in Canada and promotes our export competitiveness.

So that, in a nutshell, is our trade and investment strategy for the 1990's. Our tax, fiscal and trade policies are both coordinated and pragmatic. We do know what we are doing. And I am confident that we are making progress towards making Canadians first class world traders, and Canada a first class location for investment.