

Statement

Minister for
International
Trade



Déclaration

Ministre du
Commerce
extérieur

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CHECK AGAINST DELIVERY

NOTES FOR A SPEECH

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

AT THE

"GETTING DOWN TO BUSINESS IN THE USSR SEMINAR"

THE KING EDWARD HOTEL
TORONTO, ONTARIO

February 19, 1990.

Thank you Dr. Davie for your kind introduction. Ambassador and Mrs. Rodionov, Dean Horvath, ladies and gentlemen, it gives me great pleasure to be able to join you at this landmark Conference, particularly given the presence today of our honoured guest, Minister Konstantin Katushev.

I am sure you will all agree that congratulations are clearly in order for the organizers of this conference, particularly Enterprise York and the Canada-USSR Business Council. They have done well.

This conference is further evidence of the vast potential which lies before us as we seek to build closer and better relations between our two great northern nations - a relationship that showed such promise when Prime Minister Mulroney and our large Canadian Business Mission visited the Soviet Union late last year.

It is one more sign of the changes we have all recently witnessed in the world order - changes which were reflected at the recent Open Skies Conference and which I would submit have exceeded those of even the most optimistic soul.

It is our great privilege to be living at a time in human history when the term epoch-making is no exaggeration - a time when, hopefully, man will truly beat swords into ploughshares.

In effecting this transformation, two related concepts present themselves to all of us. As citizens of Canada and the Soviet Union; as human beings struggling to build a better and more peaceful world; or as businessmen interested in participating in the rebuilding of the Soviet economy, we must all recognize that there are challenges and opportunities.

The two concepts of challenge and opportunity are clearly appropriate at a geopolitical level, given the profound implications of Soviet reforms and Pan-European developments. Hence the care with which we are re-shaping Canada's policies and approach during this challenging period. But the two words are equally appropriate to private commercial relationships. For it is clear that any individual or firm contemplating the changing Soviet scene must recognize both the opportunities and the risks implicit in that rapidly changing environment.

And I believe it is possible to minimize those risks and maximize opportunities through careful and thorough planning prior to entry.

As you contemplate economic participation in the Soviet Union, good faith is justified; but patience and caution are in order.

And I would emphasize the word patience. For the USSR of 1990 is not a place for those who are faint of heart or who seek merely short term gain.

Those interested in exporting to the USSR, for example, must understand that hard currency is available in ever decreasing quantities. And it is also clear that the Soviets are being extremely careful in borrowing against the many lines of credit extended by Canada and other western countries.

Combine scarce hard currency and the cautious use of credit - and the complex question of countertrade becomes an unavoidable element of exporting to the USSR.

Likewise, the existing lack of convertibility of the ruble and the lack of a profit repatriation mechanism make direct investment a long term proposition.

While I understand that a complicated system of hard currency auctions has gone into effect, it is clear that, at least for the foreseeable future, doing business in the USSR will take the form of joint ventures and reinvestment in Soviet growth. Subject to opportunities to repatriate profits through exports, Canadian investors must therefore satisfy themselves in the knowledge that they are positioning themselves for the future.

Canadians have already shown their mettle. Some of you participating in this Conference, such as Jack Nodwell of Canadian Foremost and Ken Rowe of IMP Group and others have put your own money on the line. There are more than 24 joint ventures registered between Canadian and Soviet enterprises and there are at least 20 others signed and awaiting registration. Among these are many innovative projects which bring to bear the best of Canadian technical and business skills with strong Soviet partners. Whether it is in enhanced recovery of oil, heavy machinery manufacture or food service, Canadian companies have proven that they have what it takes to participate in the restructuring of the Soviet economy.

This restructuring is of the most fundamental nature - demanding a change in the most basic ways ordinary Soviet people view their world. We are talking of basic concepts like price and cost which are totally natural to those of us raised in the west, but which are still not very familiar to many in the Soviet Union. Increased contacts, exchanges and cooperation through joint ventures will be essential if both sides are to share a common understanding of how to conduct business with each other.

And we are also talking of an understanding of concepts like cost-accounting and business law which contacts between our companies have already begun to develop.

Clearly, it is impossible to underestimate the challenge of the transformation facing the people of the Soviet Union in the months and years ahead. Perseverance and patience will be essential, not only by Soviet citizens, but by Canadian businesses as well.

In sizing up opportunities in the Soviet market, we must also be aware that Canadian firms face intense competition from other foreign firms pursuing the same goals. In particular, you will meet European firms with much greater experience in dealing with Eastern Europe and the USSR. Indeed, Western Europe has been able to develop a more balanced two-way relationship, with European industrial goods and technology helping to develop Soviet mineral and energy resources which were subsequently exported to Europe.

As you know, Canadian-Soviet trade relations in the past has consisted overwhelmingly of Canadian grain exports to the USSR, with modest Soviet imports to Canada. Still, over the past two years, the volume and variety of Soviet exports to Canada have increased almost five times. As the Soviet infrastructure improves, and as Soviet companies increase their knowledge of western marketing, I am confident that Canada can be a significant market for the USSR. In this context, our Trade Task Force continues to be an effective tool of support to Soviet exporters.

Here in Canada, we have long understood the Soviet desire to seek balanced trade on a bilateral basis. And we understand that trade should be a two-way street.

Canada is a fair trader, and our market is open and easy to penetrate with fairly priced products.

Fortunately, we believe the current changes in the USSR may be creating the necessary preconditions to change this imbalance. For we can see the day coming when Canadian know how will help Soviet producers understand the needs and challenges of the competitive Canadian market.

Of course, there are also opportunities for Canadian enterprises seeking to serve the domestic Soviet markets.

The USSR is in need of Western technology and management skills. Canada can meet many of these needs. Already Canadian academic institutions and companies are extending management training assistance to Soviet enterprise. The government is prepared to continue to support these efforts.

Opportunities for Canadian exports to the USSR exist along the entire food chain, from upstream grains and livestock to downstream food processing, packaging, storage and distribution.

Canadian capabilities in the energy, forestry and mining sectors are well-suited to Soviet needs. I know that earlier today you have heard first hand of the experiences of some companies in these and other fields.

There are clearly opportunities in both transportation and telecommunications, particularly in the latter case as COCOM barriers are reduced. In March, my officials will conduct a series of seminars designed to inform Canadian high-tech firms about the reduction of COCOM controls and ways of servicing the Soviet market.

Canada has developed promising environmental technologies - air quality monitoring and control, water treatment, effluent control and pollution control retro-fitting which we believe are of interest to the USSR.

Furthermore, let us remember that we share much in common with the USSR. Our two countries lie within the same latitudes, sharing a climate of extremes and a sense of the land - a form of natural kinship, which is enhanced by the many Canadians of Ukranian, Baltic and other ethnic origin from the USSR. We are liked as a nation and as individuals - a status which can surely be turned to advantage and mutual benefit.

Earlier, I noted that the Government of Canada is currently undertaking a fundamental reassessment of our policies and approach to Eastern Europe and the Soviet Union. As you are aware, this is a complex task, given the impact of such changes on Western Europe during a period when the European Community itself is in a state of transition.

Our study necessarily is embracing all aspects of the relationship, from national security to international trade. And it often involves a cooperative effort with other nations, not only in the North Atlantic Treaty Organization, but in the GATT, the World Bank and the IMF as well. In fact, one of the most useful roles Canada can play in fostering Soviet development lies in developing the proper multilateral framework.

On a bilateral basis, we are continuing to reassess the level of assistance to exporters and business in general. We hope to be able to open the new consulate in Kiev later this year to assist Canadian business persons pursuing opportunities in the Ukraine. We have planned a program of at least 3 stands at major Soviet exhibitions in agricultural technology, information management technology and airport technology. And a number of future missions are in the works, including the trade mission which I will personally lead to the USSR this year. Hopefully, many of you present today will be able to join me.

These are all practical initiatives which we can take to foster closer ties between our two countries.

And that is why we welcome this conference, given its emphasis on the practical and achievable.

We welcome the chance for more Canadian firms to become informed of both the opportunities and the risks implicit in change, so that relationships can be built with understanding and confidence.

And I can assure Minister Katushev that the Canadian government looks forward to working with his government and with both Canadian and Soviet firms as we continue to build a solid and lasting relationship between our two countries.