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Notes for a luncheon speech
by the Right Honourable
Joe Clark, Secretary of State
for External Affairs, to the
Edmonton Chamber of Commerce
on June 16, 1986

OTTAWA

June 18, 1986.

I chaired a meeting Friday of representatives of industries, unions and governments interested in the United States countervail case. The meeting was in Vancouver, and Adam Zimmerman, Chairman of the Canadian Forest Industries Council, said he assumed that location was chosen because it was as close as I could get to High River. He was only half right. One of the changes we are introducing deliberately is to have more of the nation's business done around the country, not just in Ottawa.

That is why the Foreign Ministers of NATO, whose spring meetings are in Canada every sixteen years, just met in Halifax. The Commonwealth Conference will be in Vancouver. The Francophone Summit will be in Quebec City. The formal conferences of First Ministers were held first in Regina, then in Halifax. George Shultz and I had our regular fall meeting last year in Calgary, not Ottawa.

That is a deliberate step, of treating the country as being greater than its capital. One of the problems we were elected to address was the sense of regional division in Canada. It is worth remembering that, when Prime Minister Mulroney met then Premier Levesque in Quebec in November 1984, that was the first time in nearly eight years that the flag of Canada flew over the National Assembly of Quebec. Similarly, while the National Energy Program was simply regarded as bad policy in Toronto, it was seen here as proof of Ottawa's obvious antagonism to Western Canada. Those divisions were deep. Healing them required a steady demonstration that we are one country, working together. That is as important in the symbolism of where national events occur, as it is in the more substantial accomplishment, of eleven First Ministers agreeing on ways to pursue together the trade initiative with the United States.

I begin my remarks this way to make the point that our government was elected to change the direction of national policy, not just its details. That is what we are doing, in relations with the provinces, in deficit reduction, in privatization, in the Neilsen Task Force, and, of course, in trade. We suffer some set backs, of course, and sometimes we do that spectacularly. But we are making real and steady progress in changing old habits and attitudes which no longer serve the interests of this country.

It occurs to me that, had I been speaking here three years ago today. About how we could strengthen Alberta and Canada, I would have been proposing that we dismantle the National Energy Program, replace the Foreign Investment Review Agency, get the federal deficit down, improve relations between Ottawa and the provinces, and wake up to our problems and our opportunities in international trade.

We don't need to talk about those goals anymore. The federal deficit is billions of dollars lower than it would have been under the old regime. The NEP and FIRA are gone. Canada's First Ministers, despite their widely advertised differences on the questions, have agreed to proceed together in trade talks with the United States. Those are not small accomplishments. They represent a fundamental change in the direction of Canadian national policy, a change that is particularly important here, because Alberta suffered so severely from the policies that have been put aside.

The irony, for Albertans, is that, just as we began to pursue national policies which encourage Alberta to grow, new problems are arising in our basic industries - energy, agriculture, now lumber. None of these problems are simple, and some of them require domestic action of Canada's Governments. With that in mind, at the end of April, the Prime Minister announced new federal initiatives in energy and agriculture. We increased the domestic price of wheat, removed taxes on farm diesel and gasoline fuel, froze the current level of the producer freight rate, changed the PGRT. In both those fields, we are considering other domestic measures, and look forward to provincial governments acting in their jurisdiction.

But it becomes more and more clear that many of the solutions we seek lie in international actions. Foreign policy is not so foreign anymore. For example, look at agriculture.

Canadian farmers are among the most efficient in the world. They have made tremendous gains in productivity. With virtually no increase in the agricultural land base, our farmers now produce food for 5 times as many people as in 1940 - and they do it at a lower unit cost.

Close to half of our production is exported. Agricultural products amount to more than 8% of our total exports - more than newsprint, more than crude petroleum, and petroleum and coal products combined, more than motor vehicle parts, if we exclude engines.

But the industry is in serious trouble. And one of the major reasons is a trade war, in agriculture, between the European Community, and the United States - a war of subsidies, in which everyone is the loser, including, dramatically, Canadian farmers and consumers.

With its Common Agricultural Policy, the European Community maintains generous price support for producers, controls on imports, and direct export subsidies for surplus production. Last year, through Community institutions alone, about 18 billion dollars was spent to pay for stockpiling, and to cover subsidies for exporting surpluses. That cost does not include the programs of the individual member states.

The U.S.A. is fighting back with the same expensive weapon, it is devoting huge resources to recapturing its market share. In 1985, the United States passed the Farm Bill. Its export subsidy commissions are initially intended to displace European Community exports, but the massive funding available has meant that all agricultural trading countries are effected.

The net effect on Canada, is clear. The figures for subsidies of wheat production present a stark picture. Calculated in U.S. dollars, Canadian grain producers receive \$34.00 a tonne in government assistance; American farmers receive some \$75.00 U.S. a tonne; and European Community farmers receive \$94.00 U.S. a tonne.

So the grain farmer in High River receives half of the government assistance of his competitor in North Dakota, and only a third of that available in Europe.

Now, what does Canada do about that? The fact is we cannot compete in subsidies, and we cannot let Canadian farmers become the innocent casualties of an agricultural trade war.

We are providing support to our farmers to help meet the immediate crisis, and are working internationally to put more economic sense into agricultural trade. Federal contributions to western agriculture last year amounted to almost \$1.5 billion dollars, under the Western Grain Transportation, Western Grain Stabilization, Crop Insurance, Drought assistance and other programs. Provincial governments provide their own support.

But our clear challenge is to stop the escalation of agricultural subsidies before it drains all of our treasuries, or eliminates totally the natural competitive advantages of Canadian farmers.

So we are working internationally to break the cycle of subsidy.

In the last month, John Wise has been to Brussels and to Washington, urging his counterparts to cool their conflict. Charlie Mayer called together ministers from the U.S.A., Argentina, Australia, and the European Community, the world's five major grain exporters.

The spring ministerial meeting of the OECD ordered an objective study of the price the world is paying for protection in agriculture. That study will be important, but we are not sure we can wait for the OECD to present its findings.

Just before we left for the Tokyo Economic Summit, Prime Minister Mulroney convened a meeting of major representatives of Canadian agriculture. He then raised the question of agricultural subsidy at the Summit, and argued to other leaders the inconsistency of summit countries preaching freer trade on one hand, and practicing protectionism in agriculture. To our surprise, the debate on agriculture took hold in the Summit. Every member nation recognizes that the spiral of subsidy must be stopped and that we will have to act together to stop it.

That was the first time in the history of Economic Summits that agriculture was discussed in such detail. We intend to continue the initiative the Prime Minister took at Tokyo. I will be leading the Canadian Delegation to the Ministerial Meeting on GATT in September in Uruguay, and agriculture will be the top item on the Canadian agenda for the New Round. We are ensuring that there is plenty of support from other countries, developed and developing, for that priority.

But I have no illusions that the GATT negotiations will be easy. The problems may be obvious, but the political will to implement solutions must be stiffened. Among the means of ensuring the problem is recognized at the highest levels, I am exploring the idea of establishing a small group of experts, from around the world, to provide an urgent, independent and objective analysis of agricultural subsidies and obstacles to market access, and to report to us on their findings, and on the remedies we might consider.

I hope that their report, by highlighting the level and forms of various subsidies and protectionist measures effecting agricultural trade, and by drawing attention to the domestic policies that give rise to them, will move the work to action. One country alone cannot break the cycle of subsidy. But a country like Canada can be a catalyst in this international reform, as we have been on others.

Later, tonight, the Prime Minister will be speaking about the reasons this government attaches the highest priority to restoring our strength in international trade.

More than almost any other industrial country, we depend on trade to grow. Yet in the last decade, we have been slipping behind. While other countries improved their productivity and became more competitive, we patriated a constitution, and brought in FIRA and the NEP. Now we have to catch up. We are doing that, around the world.

In Asia, we are opening new trade offices - in Osaka, Bombay, Shanghai, and Auckland. The Prime Minister has just returned from a trip to China, Korea and Japan where we actively promoted the sale of Canadian products and services. I have been doing the same thing in Europe, and the Middle East, and India and Pakistan. We have secured access for Canada to the expanded G-7, the planning group on international monetary policies. We are discussing with the Europeans ways for Canada to participate in the Eureka program. And, of course, we are conducting new negotiations with our largest trading partner, the United States, to maintain the market we have, and to open new opportunities for Canadians.

There is some fear across our country about the consequences of growing protectionism in the United States, it is a real fear and Canadians have a right to expect their government to seek a better system. We have been warning for months about the protectionist tide in the United States. Suddenly that reality has been driven home to Canadians. The present system does not work in Canada's interest. It needs to be changed. The punitive tariff on shakes and shingles is only the most recent example. American protectionists have also focussed on Canadian hogs and ground fish, and raspberries, and rock salt, and now softwood, and cut flowers.

The list goes on and on. It is made more serious still by the fact that there are constant threats that Congress will unilaterally legislate trade restrictions. As we know, the U.S. House of Representatives overwhelmingly approved a major trade bill, legislation which, if enacted, would significantly revise U.S. trade law, including proposals which hit Canada directly.

These problems were not created by the trade negotiations with the United States. They constitute the very reason those negotiations must proceed.

But if there is a need to protect the markets and the jobs we now have, there is also the opportunity for new jobs, new markets, new ways to demonstrate that Canada can compete with the best in the world.

We speak often of the global village. That is not an abstract idea or a moral injunction. The global village is where Canada must compete.

Perhaps the most important benefit of freer trade over the longer term is the spur to Canadian industry - especially the manufacturing sector - to successfully meet international competition at home and abroad.

At the same time, the proposed agreement would provide many Canadian producers with an unparalleled opportunity to gain open access to a market of some 240 million people - the richest market in the world. With that access would come the ability to rationalize our production, and to specialize in efficient large scale output of products that are highly competitive in the markets of the world.

Of course there are risks. No great venture of public policy is free of risk. But the risks of going forward are less than the risks of hanging on to outmoded policies while we watch the forces of protectionism destroy our existing markets.

Mr. Chairman, my father's father came to this province just as the century turned. In 1905, the year Alberta was born, he started a weekly newspaper in High River. Last Friday night, his great granddaughter and I, went down, to visit my mother, in the home he built in 1908, on the Old MacLeod Trail. That house was a mile out of town then. It is surrounded now, and that is the least of the changes in this province and country.

We have built a robust and respected country and we did that because, at our best, we have a nation reaching out - connecting oceans: Atlantic, Pacific, Arctic; welcoming people, from all races, and regions, including the refugees of Europe and Central America, and the underground railway, and the China Sea. Whatever doubts we entertain at home, the name and the nature of Canada are known and respected in the largest capitals and the smallest villages of the world.

Catherine's great grandfather did not come entirely by choice. Economics drove him from Ontario; opportunity drew him here. That is our story. In continuing to reach out, we Canadians have a past to honour, and a future to assure.