

Statement

Minister for
International
Trade



Déclaration

Ministre du
Commerce
extérieur

91/31

CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS BY

THE HONOURABLE MICHAEL H. WILSON,

MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY

AND MINISTER FOR INTERNATIONAL TRADE,

TO THE INTERNATIONAL AFFAIRS COMMITTEE

OF THE CANADIAN CHAMBER OF COMMERCE

**OTTAWA, Ontario
May 30, 1991**

I am delighted to have this chance to meet with your Committee so soon after assuming my new responsibilities. I am especially looking forward to your questions in a few minutes, but would like first just to say a word or two about a couple of things that are very much on my mind these days, and which, I know, relate directly to some of your ongoing interests and concerns.

Two weeks ago, in the Throne Speech, the Government laid out the dual keystones of its agenda for the new session -- unity and prosperity. As I said in the House of Commons the next day, the two are inextricably linked. The shared desire to build on our prosperity helps us see beyond any differences we may have in language, race, or partisan affiliation.

Today, I want to address myself to the prosperity side of that proposition, and more specifically, to the enduring fact of Canadian life that the prosperity of our people is founded upon trade.

Trade built this country, whether the export was fish or furs, timber or wheat, autos or engineering services and telecommunications. Trade has kept food on our tables and clothes on our backs for over 300 years. Trade has helped build the high standard of living and the enviable social safety net we enjoy today.

Trade with the world must be the foundation of our prosperity for generations to come, and the removal of inter-provincial trade barriers within Canada must be a feature of our initiatives towards a new unity.

Today, the whole world is trading. Competition is tough. We did not make it that way and we cannot wish it away. A failure to trade is a failure to compete; and the inability to compete would mean failure in trade. That is a circle that cannot be broken. It is a reality we cannot ignore.

But the environment in which we trade has changed as dramatically as the world has changed since the age of Cartier and Cabot, or Borden and King.

We can no longer rely on the abundance of our natural resources to provide our standard of living, nor on the buoyancy of our automotive industry. These have been great strengths for us as a country. They have been the source of our prosperity and the bulk of our trade.

Now there are new challenges. We must reach further to provide the high-quality and high value-added products and services that will support a continued improvement in our standard of living and quality of life.

We cannot and should not compete in products that are produced in low-wage countries where the level of education, of training and technology is much lower than ours. The challenges in today's global economy are difficult. Canadians instinctively know that. We have felt this in recent years -- particularly in the current recession, but even before that.

As someone from Calgary once put it to me, as Canadians, we lived for our first 100 years on our resources, the next 20 years on our credit, and now we have to live on our brains, our ingenuity, our hard work and our imagination.

I know that some believe that greater competitiveness means lost jobs. But in fact, the reverse is true. Greater competitiveness means more jobs. Being competitive means smarter jobs, more skilled jobs, and greater investment in technology to give people better tools to work with.

Being competitive lets us trade. Trade also makes us more competitive. Competitiveness and trade are not add-ons or optional extras for the Canadian economy. They are at the core of any modern economy. They make an economy modern. They make it succeed.

That is not argument or ideology. That is reality.

Nor can anyone deny that the Canadian market is small -- larger than many, but small compared to our main competitors. Twenty-six million people cannot sustain a prosperous economy in the modern world by selling only to themselves.

And this brings me to tell you about the first of a number of overseas trade missions that I intend to undertake as an essential part of my new responsibilities.

Less than two weeks after taking over as Minister for Industry, Science and Technology and Minister for International Trade, I had the singular opportunity to lead a trade delegation consisting of some 40 of the best and the brightest of Canadian industry to visit the Kingdom of Saudi Arabia, Kuwait and the United Arab Emirates (UAE) to promote Canadian trade with that region.

Without question, I believe this was a major step forward in broadening an already significant trade relationship with countries that obviously hold Canada in high regard. We were warmly received by two Heads of State and the leading Ministers in each country we visited, and I learned that Canadians face an enormous pool of good will as a result of our participation as a leading Coalition member in the Gulf crisis. At a lunch in our honour in Riyadh, Saudi Arabia, no fewer than four Cabinet Ministers joined to welcome us; this was a signal not only to

Canadians that we are highly regarded, but also to the business establishment in Saudi Arabia that the Government embraces us as strong and vital interlocutors.

While an important element of the trade mission was our response to reconstruction activity in Kuwait in the aftermath of the war, we learned that there are significant opportunities in the Middle East in addition to contributing to the rebuilding of that war-stricken nation. I think our prospects can be divided into two areas. The main impact of the war has obviously been felt in Kuwait and there are special requirements there. However, the potential business that is available in Saudi Arabia and the UAE is more of an on-going nature than strictly war-related business.

Clearly, the Middle East is a market region that requires substantial strategic planning to fully realize its assets. There are no quick sales that can be accomplished by fax or telephone. These are nations that depend on the values of long-established relationships and mutual respect. One is able to do business only through personal contact that has been determined through repeated visits and extensive dialogue. Yet the efforts are rewarding, and business confidence in dealing with the region appears to be rapidly returning after the turmoil of the 1980s and the recent invasion of Kuwait.

Despite the Iran-Iraq conflict that lasted through most of 1980 to 1988, Canadian exports to the Middle East more than doubled from 1985 to 1990 to reach \$1.6 billion. Our leading markets include Saudi Arabia, Iran and Israel, although the Gulf countries, including Kuwait and the UAE, represent important on-going markets valued at just under \$100 million in exports and, importantly, are significant sources of actual and potential investment in Canada. Over the last 18 months we have seen a growing interest from the Middle East in investment in Canada through joint ventures and technology transfer. These are two themes which I will expand upon later as they must become key elements of our Middle East trade strategy if we are to be competitive.

One of our highest priority markets in the Middle East is Saudi Arabia, which was Canada's largest market for goods and services in 1990 -- \$473 million. Saudi Arabia offers a wide range of opportunities for exporters, from barley and lumber through oil and gas equipment to highly advanced telecommunications technology and a variety of education and training services. Currently, there are some 50 project opportunities being pursued, with an estimated value to Canadian exporters of \$4 billion. Later this year the Canada-Saudi Arabia Joint Economic Commission, which is meeting in Ottawa, will give business representatives of both countries the opportunity to again meet and follow up on these particular initiatives and to explore new avenues for enhanced bilateral trade.

Trade with Kuwait has been steady but modest at about \$25 million per annum, although this jumped 60 per cent in 1990 to \$34 million; our exports consisted of cereal grains, lumber, paper, auto parts, food and health products. Clearly, Iraq's invasion and subsequent destruction of Kuwait has opened opportunities that will see billions and billions of dollars worth of expenditure in areas such as oil and gas equipment and services, communications, transportation facilities, power and electricity installations and management and other services.

In the United Arab Emirates, Canada sells a steady flow, exceeding \$30 million per year, of a diversity of products ranging from automobiles and parts to paper, asbestos and grains. Service contracts are estimated to surpass this amount.

Competition in all these countries of course is intense. However, I am confident that Canadian industry can meet these challenges. As you know, Canadian prosperity is the result of the sale abroad of almost 30 per cent of all we produce. The importance of being able to compete effectively can scarcely be overlooked. Kuwait's recovery and the growing business requirements of other Middle East markets will present some exciting market opportunities for Canadian exporters over the months and years to come. My officials, through this mission and other initiatives, will be seeking to further assist Canadian industry abroad. We need to meet the foreign competition head-on through programs and services which support Canadian business to be competitive, thereby reaching the goals of success and prosperity.

A trade mission led by a Minister can be very effective in arranging productive meetings. In these three countries we met with government leaders in portfolios that included commerce, finance, industry, communications, public works and defence. I included representatives of the business community in a number of meetings that I had with Ministers. This gave them an opportunity to promote their products or services, and I can say we were extremely well received.

The important element that is recognized by our hosts is that they warmly appreciate the support that Canada gave during the Gulf crisis. I heard from the Emir of Kuwait, from the President of the UAE, both of whom I met, that they feel our contribution in their hearts; they said they will never forget what we have done and they want to broaden and deepen the relationship that has already been established with Canada. There is a strong feeling of support for Canada and what we represent as a nation. This was also reflected in other meetings that the business people undertook. Our embassies in the region, of course, developed a specific program of individual meetings for business

members of the mission with significant representatives of the public and private sectors.

Accompanying us on the mission was a broad cross section of Canada's business community representing, among others, the fields of consulting engineering, communications, oil and gas equipment and services, transportation, mining services and construction and contracting. I think it is fair to say that there was unanimous consent that a number of market opportunities exist in the Middle East and that missions like this one are important elements in enhancing the forging of business links in areas such as airport construction, technology transfer, joint venture projects, consumer durables to restock the empty shelves of Kuwaiti stores, transmission lines, trucks, aircraft, light rapid transit, port facilities, cable installations, drilling and well-capping, housing, power plants and refinery construction and re-fit -- these are only a few of the myriad requirements that were the subject of deliberations in all three countries.

Canadian technology is highly valued. It is recognized to be right up there with that of larger countries they know of: Bell Canada, Northern Telecom, Lavalin, Canadair; another example was Safety Boss of Calgary, one of four companies fighting the fires.

I was distressed to see the reprehensible destruction in Kuwait. At one point during a visit to the Burgan oil fields where we followed a team from the Canadian company Safety Boss at work, in one 90 degree quadrant alone we counted just under 40 major fires gushing from the black earth (which used to be white sand), against a black horizon under a black sky.

But a key element for success, in addition to technological transfer, and something which our business people, who had not travelled the region before, learned was that you have to keep coming back again and again. They also learned that exporting does not consist of products alone. Our hosts are, in many cases, wealthy in oil and other natural resources. But they are anxious to move beyond that to follow, in a way, Canada's example of development of a country that has moved from a resource-based economy into the modern age. Resources only form about 10 per cent of our trading equation at present and our maturity in dealing with these issues is something that we can share with our friends in countries like Saudi Arabia, Kuwait and the UAE. Accordingly, joint venturing is an increasingly important activity that I believe must be pursued by many Canadians wishing to establish a longer-term relationship in the region. As the Saudi Minister of Commerce told us, of the 120 or so major projects currently underway in Kuwait, 90 involve Saudi partners.

As I said earlier, trade is the key to prosperity and as you all know, I have been mandated to lead on an important theme of the Speech from the Throne -- national prosperity. Canada must take

giant steps to improve productivity and competitiveness if we are to survive in this increasingly challenging economic environment. We must pursue every avenue to enhance our market share worldwide and to diversify our assets. We are no longer hewers of wood and drawers of water; our services represent at least 30 per cent of export income from regions like the Middle East. Technology transfer is a substantial part of the service sector and trade in services offers some real opportunities. The Crown Prince of Dubai told me he was concerned that all his country has to offer is oil; he indicated he would open doors to Canadians willing to help the Emirate broaden its industrial base with related technology. I intend to have our Embassy develop this interest, first hand, and to work with Canadian companies capable of meeting this objective. I encourage Canadians to have a look at these opportunities too.

We found the same view expressed in other countries.

I was also pleased to give a helping hand in promoting the opening of the Canada-Arab Business Council's new Canadian Trade Centre in Dubai. With the initiative of this private sector organization, and with funding support from the federal government, the Trade Centre will be a vital link for Canadian businesses in their dealings with their counterparts in the UAE. The office will facilitate contacts, ensure follow-up, assist in the selection of agents and improve understanding of the local market. Dale Carl, the Centre's new director, was given a golden entrée at the time of our visit by being able to join us throughout our meetings with leaders in both public and private sectors in the UAE.

In the preparatory weeks leading up to our departure, the Department had been carrying out a number of initiatives designed to assist the business community to take maximum advantage of Kuwait reconstruction opportunities. As you know, the former Secretary of State for External Affairs, Joe Clark, led a business delegation which, incidentally, was the first ministerially-led mission into Kuwait following the cessation of hostilities. This mission helped raise Canada's profile at a time when other nations were known to be making significant advances in this very competitive marketplace.

Mr. Clark's mission was followed by a series of information seminars on Kuwait reconstruction in seven key locations across Canada to audiences exceeding 3,200. The Kuwait reconstruction task force was created at External Affairs and International Trade Canada in co-operation with a similar organization established at the Canadian Commercial Corporation (CCC). On April 16, 1991, the first private sector liaison group meeting of major Canadian companies with export competence in the Middle East was held in Ottawa to advise the Government on our

approaches to recovery initiatives in Kuwait. Many of the members of this group accompanied me to the Middle East.

We learned from their advice that we are largely on the right track; that a "team Canada" approach will do us all more good in the long run than having individual competitors banging into each other at the front doors of implementing agencies; that flexibility on financing should be considered in our approach to the market; that "networking" must be undertaken on a global scale, through our embassies and consulates, third countries and with all potential partners to uncover as many potential leads as possible; and that the active support of the Government is essential in creating and maintaining a high profile for Canadians in international markets.

During the de-briefing session we undertook with the Canadian business people at the end of our mission to the Middle East, these points, particularly on networking and the need for the Government to assist in bringing profile to Canadian commercial interests, came home loud and clear. For these reasons, I have asked my officials to map out a strategy of government initiatives that would include sector specific missions, some indeed that might be led by appropriate Canadian Ministers in their area of responsibility -- for this is the way, I think, to best reinforce that the Canadian "team" is serious; that we mean business. I am also counting on the Kuwait reconstruction task forces in both our department and at the CCC to give us support in bringing the concept of networking to bear in all our marketing initiatives in the area.

In closing, I want to say how pleased I am with the reception we received during our visit to the Middle East. Canada's trading position and our economic well-being will be well served if we take up the challenge that awaits us in regions like the Middle East, especially at a time when we so clearly have touched a chord with our interlocutors as steadfast allies with a reputation for peacekeeping activity. I will be working closely with departmental officials to determine how best I can continue to support further such initiatives elsewhere -- be it to Iran, China, Geneva or Sao Paulo.

Canada is an extremely successful trading nation but we must strive to do better. Trade is good for Canada, it drives our prosperity. It helps us to be more competitive.