

Statement

Minister for
International
Trade



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NOTES FOR A SPEECH

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

TO THE

CANADA-U.S.S.R. BUSINESS COUNCIL

MOSCOW

October 24, 1990.

Mr. Katushev, Mr. Kanayev, Mr. Nodwell, members of the Canada-U.S.S.R. Business Council, ladies and gentlemen -- I wish to first say how delighted I was to be invited by a council composed of so many distinguished business representatives from both countries assembled here today.

Almost two years ago, the dream of a binational trade council was first broached by Mr. Albert Reichmann, one of Canada's leading entrepreneurs, and other interested industrialists in our country. Last November, the council was officially formed in partnership with the U.S.S.R. Chamber of commerce and industry during the visit of Prime Minister Mulroney to your country. This week I am leading a delegation of 30 senior business executives from across Canada, together with three other members of Parliament and federal and provincial officials.

We are determined to strengthen the momentum towards economic co-operation which was launched this time last year when Deputy Prime Minister Mazankowski toured the Soviet Union and which was further increased by our Prime Minister in November. In this regard, I have had the pleasure of meeting Minister of Foreign Economic Relations Katushev and the Soviet Minister of Fisheries Mr. Kotlyar during their visits to Canada earlier this year. Later today, Mr. Katushev and I will be signing the Annual Protocol on Economic Co-operation at the conclusion of our regular mixed Economic Commission consultations. I will then officiate at the formal opening of the CUBC's Moscow office. Throughout this week I am meeting Ministers and touring facilities, listening and learning, and seeking out opportunities to expand bilateral trade and investment.

In a nutshell, we are spreading the word that "Canada is ready now more than ever for business with the U.S.S.R." The Canadian private sector is joining hands with government in response to the Soviet Union's move towards a regulated market economy. We support economic reform and modernization as the Soviet Union aims to become more of a global business player along with Canada and other nations. This morning's seminar topic -- "Know Canada" -- is only the latest in a series of initiatives that reflect Canada's commitment to supporting efforts to build a free market economy.

This morning you have sought, through an exchange of views, to narrow the information gap on leading Canadian technologies, ways of doing business, the role of government in the economy, and other features which make Canada such an attractive trading partner. I welcome this occasion to (1) encourage the continued liberalization of foreign trade and investment in the

U.S.S.R.; (2) explain why Canada should increasingly be your preferred business partner; (3) describe how the Canadian government can facilitate contacts; and finally (4) to point out business success stories and on-going private-sector developments of interest to us all.

We in Canada are watching the extraordinary changes in Europe (West and East), including of course the U.S.S.R., with great interest. The Canadian business community -- from small to large firms -- has never before exhibited the current high level of attention to commercial opportunities in the U.S.S.R.

The presence of the CUBC and my trade mission of 30 senior executives from Canadian industry underlines the commitment of Canadian business leaders to shaping strategic alliances and playing a productive and effective role in the internationalization of perestroika in an increasingly borderless world. The U.S.S.R. is blessed with vast resources, both human and material, great stamina and endurance, and technological potential which will be progressively released as the burden of state control is lifted from your shoulders. The decentralization of economic management and planning, combined with the dissolution of the monopoly over foreign trade, is already multiplying profitable opportunities for both our countries.

In 1983, then Secretary of Agriculture Mikhail Gorbachev toured Canada's farms and factories, personally witnessing the benefits of an open economy. Seven years later he returned to Canada as President of the U.S.S.R. and declared publicly, "It is gratifying to see the unambiguous position of the Canadian government, backing its business community in its desire to support the U.S.S.R. by supporting our country's integration into the world economy. We are pinning great hopes on the Canada-U.S.S.R. Business Council." President Gorbachev, this year's deserving winner of the Nobel Peace Prize, has recognized the strengths that Canada's free market offers.

At the same time economic changes present major challenges, but we encourage you to face up realistically to these problems and not to lose faith or turn inward. Perseverance and patience will be essential, not only for Soviet citizens, but for Canadian businesses; market-oriented changes are bound to bring "short-term pain for long-term gain." The Canadian side is concerned about payment delays in the amount of millions of dollars, a hesitancy to borrow against our line of credit, lack of information about the new buyers' contacts -- I mean the individual enterprises, production associations, farms, city governments, Republic organizations, and other entrepreneurial players. Conditions for greater business confidence are necessary before

even more business representatives are ready to enter into the risks of international commerce here.

Canada features a remarkably open and freely competitive market in a mixed economy of private and public corporations, profit-driven enterprises, trade unions, government industry, research and development linkages, private-property building blocks such as family or individually owned farms and companies, and active stock exchanges. These characteristics are balanced and supported by such safeguards as a social security net, medical and unemployment insurance, public health and education, industry regulations, and redistributive taxation policy. The result is quality, efficiency, high productivity, excellent service, and satisfied customers.

I believe gatherings like this one and the kind of talks I am holding in the U.S.S.R. this week demonstrate our acceptance of the fact that we can significantly advance the internationalization of the Soviet economy by sharing Canadian technology, management skills, marketing philosophy, operating systems, engineering, and procedures on a mutually beneficial basis. The Canadian companies present here are ready to do just that because this means good business for all at a time of sharply reduced international tension -- the "peace dividend" of the 1990s, if you wish.

But why consider Canada as a good business partner? First, there are many similarities which make us very compatible. Our two countries share size, geography, geology, weather, agricultural conditions, resource bases, rugged infrastructural challenges, remote and dispersed communities, coastlines, multiculturalism, a federal political system, and increasingly good bilateral relations. Our fisheries co-operation relationship is second to none. We both have an interest in exploiting economic opportunities in both Europe and Asia. Indeed, Canada and the U.S.S.R. are both Pacific Rim nations. We benefit from a foundation of mutual respect and trust built up over the long and dependable history of our grain trade. Canada and the U.S.S.R. were close allies in the struggle against fascism around the world earlier this century.

Furthermore, it is important to note that every tenth Canadian has his or her ancestral roots in this part of the world, i.e., the U.S.S.R. and Eastern Europe. Such a historical linkage brings to bear linguistic and cultural strengths, family ties and enhanced inside knowledge, as well as a base for the networking of business connections. Our country's export orientation is certainly not hindered by a common love of ice hockey -- in fact the sport helps us get to know each other better.

Just as we cannot ignore the largest country in the world, you cannot afford to miss dealing with a member of the G-7 industrial powers in the heart of North America. The Canada-U.S. Free Trade Agreement, with the richest and most competitive market next door to us, means we can continue to offer advanced technology, goods, and services that are world class and in heavy demand. Our lead role in the GATT and in multilateral financial institutions reflects the weight of our economic power -- a new world economy with a GDP one-third of yours but with a population one-tenth that of the Soviet Union.

Canada deserves your business attention because it ranks high in world trade. For instance, we possess the world's sixth-largest automotive industry, fourth-largest aerospace industry, second-biggest civilian helicopter fleet, ninth-largest stock exchange, and the longest telecommunications network. Canada is the world's biggest exporter of forest products, minerals, and fish. We have also developed an international reputation in telecommunications, agrofood production and processing, mining, pulp and paper, oil and gas, urban transit, railways, and steel.

In addition, Canadian companies have significant experience in cold weather and construction technologies, biotechnology, light industry, consumer product manufacturing, and the engineering or "packaging" of systems and projects. The most recent example of a Canadian-sponsored mega project is the huge Hibernia Oil and Gas Project being established off the coast of my province, Newfoundland, in Atlantic Canada. Tomorrow I will be touring another huge project -- the sour gas processing plant engineered by Lavalin of Canada in far-off Tenghiz, Kazakhstan, near the Caspian Sea. At the same time, we would hope that Soviet business representatives consider tapping Canada's energy conservation technologies as a means of economizing roubles. Soviet scientists and engineers are also invited to examine our country's environmental protection and waste-management techniques in order to help conserve the quality of the world's freshwater lakes, soil, forests, and polar atmosphere. I am pleased to respond that we are already close allies in preserving the fish stocks of the north Atlantic, for example.

Technologically, Canada can claim many world firsts from the invention of the telephone by Alexander Graham Bell to Marconi's first transatlantic transmission from Signal Hill, Newfoundland, to the world's first and longest digital telephone, fibre-optic, and cellular communication networks. Canada was the third nation in space with a national direct broadcast satellite and now provides the remote manipulator arm and solar telescope to the NASA space shuttle. We are currently hard at work on the "space garage" for the future international space station.

Our advanced technologies appropriate to the U.S.S.R. include specialized dryland farming machinery; geological exploration instrumentation; remote sensing interpretation; short take off and landing aircraft; livestock genetics improvement; data transmission and switching over an integrated digital services network; cobalt cancer therapy units; forest fire control and harvesting machinery; hydroelectrical generation, transmission, and distribution; petroleum exploration, drilling, and pipelining; metal smelting; petrochemicals refining; rubber and plastics process technology. In the services sector, Canada's civil engineering and winter construction practices are respected around the world.

Our advertising, publishing, accounting, banking, legal, and market consultancy services are as good as in any advanced country. To top this off, we are extremely proud of world-renowned schools of management such as those at the University of Western Ontario and McGill University. Some Canadian high-technology organizations may be interested in assisting the U.S.S.R. to convert military production facilities into civilian high-technology manufacturing lines once these enterprises make known both the demands of the market and their capabilities or proposals.

Needless to say, the Soviet Union has developed expertise in some excellent technologies, particularly at the theoretical and research stages. These include high-energy physics, advanced materials, bio-engineering, medicine, high-temperature superconductivity, and lasers. There is definitely some complementarity in science and technology for entrepreneurial minds to seize upon. Canadian industry could help to commercialize your technology on an applications-oriented and profitable basis, as yet another avenue of co-operation.

But what is the Government of Canada doing to foster greater commercial interchange with Soviet business contacts? Apart from leading a trade mission here on a major visit through four cities in three republics during Canada's "Export Trade Month" let me say this:

- 1) The Canadian government has set up a multi-million-dollar economic development fund to share costs with Canadian companies for pre-investment studies (in the U.S.S.R.) and for related Soviet management training. The program will run from now until 1993.
- 2) Our new Consulate General in Kiev is due to open next year with a strong trade orientation; I am pleased to announce to you today that Canada's first Consul General in Kiev will be Mr. Nestor Gayowsky. He will be meeting us in Kiev later this week.

- 3) This new fund will also permit additional support to more trade fair participation, exploratory missions, business seminars, market familiarization publications, and business associations.
- 4) We have recently appointed Mr. Michael Bell, who was posted previously to Moscow as a trade commissioner, to be our Ambassador in the U.S.S.R. The government is also adding two trade commissioners to the Embassy here in Moscow as well as expanding our U.S.S.R. headquarters staff in Ottawa.
- 5) I have invited provincial government representatives to accompany me on this visit so they can meet their Republic government counterparts to discuss existing and future tie-ups.
- 6) Canada's Export Development Corporation has put in place a \$500-million line of credit with Vnesheconombank and offers other export financing and insurance services.
- 7) Canada, like the U.S.S.R., is a founding member of the European Bank for Reconstruction and Development in which we maintain a 3 per cent shareholding. Similarly, we support the U.S.S.R.'s preparations for membership in the GATT.
- 8) My government will be actively assisting Canadian firms to participate in two international trade fairs centred on telecommunications and construction technology in Moscow next year. Last month we supported Canadian exhibitors at farm machinery and import technology shows also in Moscow.
- 9) Finally, for 1991 my officials are organizing industry delegation visits to explore resource development opportunities in the Soviet Far East and in the agrofood and the energy sectors.

The Government of Canada is just as enthusiastic as our private sector in the virtual "explosion" in the number of business visitors in both directions. There now exists an intriguing window of opportunities to examine possible joint ventures, licences to manufacture, franchises, transfer or exchange of technology agreements, strategic alliances, buy back trade, and global positioning for third country markets (for example, India).

This kind of collaboration has already proven successful for entrepreneurs present in this hall today who exercised good

judgement in partnering. One of the pioneers in this activity over 20 years ago was Mr. Jack Nodwell of Canadian Foremost. Many other successful companies such as Canadian Fracmaster and Lavalin are members of the Canada-U.S.S.R. Business Council which already has a solid record of accomplishment behind it. This week I will be officiating at the signing of an agreement by Cancom of Canada regarding satellite communications. Other joint ventures are being discussed.

But I must also mention the Ukrainian business representatives and professionals who visited Canada last week, reciprocating a Canadian visit to that republic last autumn. They held a seminar in Toronto on "doing business in the Ukraine." Similarly, in July and August this year, York University organized a Canada-wide East/West enterprise exchange program lasting two months for 60 middle managers from the U.S.S.R. The academic program featured studies of market forces, Western management principles and procedures, and entrepreneurship. Next month a York University follow-up trade mission will fan out across the U.S.S.R. This program is assisted by my department.

In closing, ladies and gentlemen, let me say that Canada wants perestroika and economic restructuring along the lines of a market economy to succeed. It is in everybody's interests. We are therefore co-operating through expanded contacts for the development of common interests as rapidly as possible. We recommend that you meet our business people, Embassy trade commissioners, and members of my staff. The Canadian government invites you to exploit these new and improved business conditions resulting from a reduction in political tensions and to draw upon our private sector's expertise and experience. I can assure you that our companies are ready to deliver in anticipation of a further opening up of the Soviet economy. This will be stimulated by an early ratification of the foreign investment protection agreement, further liberalizing reforms, and greater transparency of data on market demands and trends. We look for improved access to commercial contacts, end-users, and local decision-makers. For worthwhile projects we need financial guarantees, and economically viable proposals from the working level on your side. It is in this area that governments must take the lead to create the environment that will motivate their respective entrepreneurs to make the deals that benefit us all.

I hope and trust that this seminar and the events and developments around it have excited you about the possibilities of doing business with Canada. You now can say, "Ya znayoo Kanadoo." Spassiba*

*"I know Canada." Thank you.