

# STATEMENT DISCOURS



ADDRESS GIVEN BY  
THE HONOURABLE EDWARD LUMLEY,  
MINISTER OF STATE  
(INTERNATIONAL TRADE),  
TO THE  
CANADIAN CHAMBER OF COMMERCE  
IN JAPAN,  
TOKYO, JAPAN,  
MARCH 19, 1982

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I am pleased to be the first Canadian Minister to speak to the new Canadian Chamber of Commerce here in Tokyo. As many of you know, this is my second official visit to Japan in a year. That is indicative of the great importance that we in Canada attach to Japan and to our relations with this exciting country. It has seemed to me particularly important to come at this time. Japan is a major player on the world scene and a trading partner of the first importance to Canada.

I wanted to discuss with Japanese leaders our views of the critical role that their country is called on to play in these times of economic difficulty in the world. I wanted to discuss this both in its global dimension and in terms of trade relations between Canada and Japan. I wanted to come to Japan, with a group of senior Canadian businessmen, to explore the implications of the recent announcement by the Japanese government of measures to further open up the Japanese market.

Finally, I wanted to explain the serious problems in the Canadian automotive and forest products industries to Japanese government and industry leaders and to outline the role Japan can play to help us resolve these problems, both in the short and long term.

It is my intention today to report to you on the results of our mission. I am delighted to see so many prominent Japanese business and government leaders, and to have as the forum for my remarks this newly-formed Canadian Chamber of Commerce in Japan, tangible evidence of the strong and growing presence of Canadian business in this country.

Let me begin by spending a few moments talking about the world trading environment. We are now in a period of international recession. Many governments, including our own, are under severe pressure to restrict imports where these imports are seen as contributing to economic difficulties in our respective countries. It is imperative that all of us become particularly sensitive to the stresses and strains on the domestic markets of our major trading partners. If sensitivity is not shown and mutually-satisfactory solutions are not found to alleviate the pressure, there is no question that unilateral restrictive trade measures will be imposed by affected nations. There is a serious danger

that these drastic measures, however justified, taken to deal with short-term problems could have a disastrous effect on the long-term freedom of world trade. If this were to happen, all major trading countries, especially Canada and Japan, could stand to lose a great deal.

We have to be careful what we do, therefore, and for this reason the informal meeting of Trade Ministers in Florida, in January, which Minister Abe and I attended, along with our colleagues Ambassador Brock from the United States and Vice-President Haferkamp of the European Community, was both timely and useful. We were able to become more personally acquainted with one another, exchange our perceptions on the realities confronting us and agree that we collectively have a special responsibility to work towards expanded and mutually-beneficial international trade.

We recognize our responsibilities, but I believe that a very special role falls to Japan. Thanks to the skill, imagination and effort of its people, Japan has achieved a position of major importance in the world economy. With that position, that sheer weight in world economic affairs, goes unavoidably a particular responsibility for the continuing health of the open world trading system from which Japan has benefitted so greatly. That responsibility is part of the price of the success of which the Japanese people can justly be so proud. And it is a responsibility that cannot be shirked in Japan's own long-term interest.

Fundamentally, the world needs a strong and open Japanese economy. I recognize, of course, the steps being taken by the Japanese government in that direction. The stimulation of demand in Japan is welcome. It can benefit all of us through its effect on our exports. The earlier announcement of action to liberalize the import system was also important. Of greater importance will be the task of making liberalization broad and effective.

Japan must ensure that competitive foreign suppliers have a full and fair opportunity to serve the Japanese market. However, I am sure you are well aware that there is a great deal of skepticism and even cynicism with respect to the actual opportunities these measures will create.

Equally, as our Japanese friends remind us, our businessmen must be aggressive and persistent in their efforts to enter the market. I can assure you that many

Canadian businessmen, including those who are here in Japan with me, are making and will make that effort. But they must see the evidence that their efforts will be fairly rewarded.

There is more to the Japanese responsibility. The world is going through a very difficult period. There are heavy pressures on major parts of our economies in many countries. No one should underestimate the seriousness of those pressures. No one should underestimate the risk that governments may see no viable alternative to protective actions that could mount to the point of undermining the basic openness of the world trading system.

Any reader of the Japanese press will be acutely aware of these pressures and dangers and that they are increasing. During my week in Japan, no other subject has been given greater prominence in the daily news. And it is not a danger that can be wished away. To think that these pressures will just disappear would be a serious mistake. However unfair it may seem to Japan and its industry, after having travelled to over 40 countries during the past 20 months, I am totally convinced that a measure of restraint in these difficult times is essential to Japan's longer-term interests.

We in Canada are feeling the pressures acutely. In my conversations with Japanese Ministers and business leaders, I have, of course, indicated that our problems are in no sense to be blamed entirely on others. We have much to do to strengthen the competitiveness of our own industry. But I have also stressed as simply as I can the seriousness of the pressures being felt by our government, as by the governments of other countries. I thought it my responsibility to ensure that all those I met are made plainly aware of the domestic sensitivity of this issue.

All this, of course, is an important backdrop to the meeting of GATT\* trade ministers, the first since the Tokyo meeting of 1973, which is scheduled to be held in Geneva, in November of this year. We believe that there is a need to address the means of strengthening the GATT in the current situation, identify gaps and search for solutions.

We hope that this meeting of ministers will provide an opportunity to examine the adequacy of the GATT rules to meet existing problems, to improve and clarify those

\* General Agreement on Tariffs and Trade

rules. This will create conditions of greater certainty for trade, and to regenerate the momentum developed during the Tokyo Round in the 1970's to expand and liberalize trade. We must prepare for a meeting that will strengthen our conviction that the open trading system, with GATT at its centre, is essential to the protection and promotion of our interests.

As you will be aware by the daily press reports, I have spent a good part of my time here discussing the current situation in the Canadian motor vehicle industry, and the very substantial share of the market for motor vehicles in Canada taken by Japanese suppliers. Indeed, this, along with the opportunities for market penetration for Canadian forest products, was the most pressing issue we discussed and perhaps best exemplifies the type of difficulties Japan's trading partners, including Canada, are facing. I tried to sensitize our Japanese friends to our domestic problem, including the substantial pressure to restrict the import of Japanese automobiles and, although this goes against our instincts to maintain as free a world trading environment as possible, we do have to face the economic and political realities of the current situation.

Accordingly, I made proposals to the government and to the industry in three areas. In the short term, an extension to the voluntary weather forecasting system with respect to automobiles and commercial vehicles, and in the longer term, an undertaking to commence discussions concerning a content arrangement for the future. In all three areas my proposals were rejected.

Needless to say, we are indeed disappointed that we could not come to a mutually-satisfactory understanding in this regard. We have spent a great deal of time trying to find a formula which would relieve to some degree the pressure on our domestic industry and at the same time did not have a major impact on the Japanese industry.

I regret that we were not able to convince our Japanese friends that Canadians can no longer tolerate the meagre export of \$8 million of automotive parts to Japan while Japan exports \$1.5 billion of motor vehicles and parts to Canada. I regret that we were not able to sensitize our Japanese friends to the serious consequences to our domestic market when in a declining market the share of Japanese cars and trucks rose from 8 per cent and 3 per cent in 1979 to 23 per cent and 12 per cent in 1981 respectively.

This dramatic change in such a short period cannot continue, especially when compared to the very severe restriction on imports of foreign automobiles applied by most of our other major trading partners. Needless to say, Canadians are further frustrated when we read that all the major Japanese auto vehicle manufacturing and assembly plants announced to date do not include any in Canada.

Although our proposals were rejected, we have agreed to continue discussion at the official level and indeed I am hopeful that our proposals will be reconsidered and that a new weather forecasting system will be undertaken. I sincerely believe that this is in the best long-term interests of both our countries.

We have long characterized our bilateral trade and economic relationship as being essentially a positive and complementary relationship, although one in which there is always room for improvement. It is a relationship that has until recently favoured Canada with a large trade surplus; although, as many of you know, this surplus almost disappeared during 1981. Resource products will undoubtedly continue to be the major exports to Japan and these will pick up considerably in the decade to come as the Japanese domestic demand increases, and as new projects, such as coal developments in North-East British Columbia, come on stream. It is essential, however, that we continue our efforts to upgrade our exports to Japan and sell more in the way of fully manufactured goods.

With this in mind, we will be closely monitoring the initiatives to remove a large number of barriers relating to standards and quality testing, as announced at the end of January. We also welcome the appointment of a trade ombudsman, who, I am sure, will be helpful in resolving problems. If fully implemented, these are good first steps in Japan's ongoing efforts to open her markets.

Accordingly, I invited over 50 Canadian businessmen to join me in Japan to pursue market opportunities. That these companies have come on short notice, and so soon after these liberalization moves were announced, is, I believe, confirmation that Canadians will be aggressive in pursuing new opportunities in the Japanese market.

These companies represent three main groups. One is the high technology sector. I am pleased to have companies with me whose expertise covers aerospace, ocean technology,

and computer/telecommunications. Given fair and equal opportunity, I believe that they all have excellent prospects for increased sales, and could benefit from joint ventures, cross-licensing agreements, or other types of industrial co-operation with Japanese partners.

In the course of our week here, we have met with the respective industry associations in Japan, and important contacts have been made that will allow Canadian companies to pursue industrial co-operation projects with Japanese counterparts in the months to come. Perhaps the most advanced in their discussions with the Japanese are those companies in the computer/telecommunications field. They, some of you may recall, were here with me when I came to Japan last June and have since exhibited their products at the Canada Trade Centre.

Further to this effort, the president of the Nippon Telegraph and Telephone Public Corporation advised me that he is sending a mission of specialists from his company to Canada, probably early this summer. We expect that this will do much to forge close co-operation and contact between the Canadian industry and the main purchaser of telecommunications equipment in Japan.

The second group of companies are those here participating in Foodex '82, which has been held at Harumi all this week. Over 35 Canadian companies from all across Canada have exhibited their agriculture and fish products, many of them processed. Access of many of these products to the Japanese market promises to be improved by the recent liberalization measures, but I have also flagged to Japanese ministers the importance Canada attaches to the removal of import quotas in the fisheries and agricultural sectors.

Finally, we looked into the prospects for increased sales of Canadian forest products to the Japanese market. As many of you know, the platform frame construction method, which uses Canadian dimension lumber, has been quite successful in achieving acceptance in Japan. There are, however, a few remaining problems.

One is the 10 per cent tariff on dressed spruce-pine-fir lumber, which discourages the use of this species in Japan. Another is the fact that there is no softwood plywood standard, which has resulted in Canadian plywood not being permitted in Japanese house construction.

I raised these problems with responsible ministers, including the Minister of Agriculture, Forestry and Fisheries. While we consider it most important that we still have not been able to make any progress on the 10 per cent duty, it is gratifying to note that it now seems likely there will be a JAS\* standard for softwood plywood by sometime this summer.

Also working to increase market access for Canadian goods to Japan is the Canada-Japan businessmen's conference, which, as many of you know, will be meeting in May in Sapporo. In particular, the manufacturing sector group of the Canadian committee will be proposing to the Japanese side that they might recognize certain categories of goods from Canada as having real import possibilities for Japan.

From Canada, these would include products where cost or supply advantages are derived from our relative abundance of energy and raw materials, or products where our technological specialization has resulted in a world-wide reputation for design, quality and cost competitiveness. The committee suggests that the first category might include non-ferrous metal castings, petrochemicals, glass, plastics, etc., and their products, ocean equipment and nuclear electric generating plant.

I have no hesitation whatsoever in supporting the Canadian committee in this regard and indeed, along with the President of the Canadian Manufacturers' Association, Mr. Roy Phillips, who is part of my mission, have mentioned their expectations in our discussions with Minister Abe, the Japanese businessmen, and in particular with the executive of the Japanese committee of the Canada-Japan businessmen's committee.

In addition to bilateral trade flows, however, there are other ways in which our two countries can work together. There is, for instance, the opportunity to co-operate on projects in third countries. This was a possibility I explored when I was here last June and I understand that the Canadian Exporters' Association and the Japanese Machinery Exporters' Association will be meeting next month in Toronto to discuss what possibilities for co-operation there might be. The Joint Insurance Agreement between Canada's Export Development Corporation and the Export Insurance Department of the Ministry of International Trade and Industry of Japan, which Minister Abe and I announced on Wednesday, is indicative of government support for this idea and should, we hope, facilitate such projects.

\* Japanese Agricultural Standard



Also on Wednesday, Minister Abe and I announced that the Ministry of International Trade and Industry of Japan will be sending a mission to Canada later this month to investigate the investment climate in Canada. Some 37 companies and government representatives will travel through much of Canada speaking to both government and industry to get some measure of the investment opportunities Canada offers. We hope that this is the first phase of increased Japanese interest in investing in Canada. At some \$900 million, Japan still represents less than 1 per cent of foreign investment in Canada.

I have tried during the course of the week to be as positive and constructive as I can, but I would be less than honest if I did not indicate to you my profound disappointment concerning the lack of any concrete response to the few requests we made during the week. As a former businessman and as a politician, I am fully aware that everything in life is relative--that Japan also has problems and that their leaders are also under political pressure.

However, we did not come to Tokyo this week with a long shopping list of trade irritants. I only requested that action be taken in a few sensitive areas and even those were rejected.

Canadians do not want special favours. All we desire is equal opportunity to compete. We believe in free trade but we also believe in fair trade.

In closing, please allow me to summarize my key points. On a multilateral basis, Japan, as one of the main beneficiaries of an open world trading system, has a key, yes even critical, role to play in the maintenance of a free world trading environment. On a bilateral basis, there is tremendous potential for increased commercial activity between our two nations. However, in both instances, for these goals common to our two nations to be achieved, concrete measures must be taken--this is no time for more words, studies, discussions. It is time for positive action. As my respected United States counterpart has recently said, according to the Japanese press this week--time is running out.