



Statements and Speeches

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NEW INITIATIVES FOR TRADING WITH PACIFIC RIM COUNTRIES

Statement by the Right Honourable Joe Clark, Secretary of State for External Affairs, to the Vancouver Board of Trade, Vancouver, October 23, 1985.

There are two reasons for Canadians to talk about trade. One is that we can't help it. Almost 30 per cent of our gross national product results from international trade — double the dependence on trade of Japan, triple the dependence of the United States. Of the seven countries at the Economic Summit, only Germany depends on exports more than we do. In this province alone, trade with just Japan is worth \$1 200 for every man, woman and child. Trade with just Japan accounts for 45 000 jobs in British Columbia alone. Whenever we talk about creating jobs, or funding social programs, or encouraging culture, or asserting our sovereignty, we are talking about trade. Part of the Canadian reality is that we have to compete internationally to survive.

Another part of the Canadian reality is that we can compete internationally. We can be as good as the best of our competition, whether the subject is transportation, technology, or petrochemicals, or ballet. That self-confidence is the second reason to talk about trade. Nations grow gradually to maturity, like people do. At one stage of our national life, it may have been appropriate to insist on general protection — through tariffs, and restraints on investment, and government ownership of enterprises. Now, a more mature Canada can be more selective about the protection we require, and more sure of our strengths. Of course we will need some protection. Every country does. There is no absolute market economy except in the text books. But stronger nations have less need of protection, and whether your standard is resources, or skills, or ingenuity, or self-confidence, this is a strong nation.

The old regime assumed Canada was vulnerable, and put up barriers. We assume that Canada is strong, and look for opportunities to express that strength. An immense opportunity awaits us in world trade — and we are reaching out to embrace it — in multilateral negotiations for a more open world trading system; in bilateral negotiations with the United States; in trade missions, and productivity seminars, and new offices abroad.

We will be encouraging exports everywhere, but two large markets have special potential, particularly for Western Canada. One is the United States, where we have the challenge of keeping existing markets, as well as winning new ones. The other is the Pacific Rim, which we believe will be the major source of new growth for Canada in years to come.

Ten years ago, Canada's transpacific immigration surpassed our transatlantic immigration, for the first time in history. Two years ago, our Pacific trade surpassed our Atlantic trade, for the first time. In 1979, an earlier, shorter-lived Progressive Conservative government organized the first National Conference on Canada and the Pacific Rim. That government, like this one, contained leading ministers from Western Canada, who know how much of our future lies to our west. For 100 years, Canada has been a Pacific nation in geography, and we intend to make it a Pacific nation in mentality too.

That requires concrete Pacific initiatives, and I want to talk about four of them.

We are opening new trade offices in the Pacific Rim. One is already operating in Auckland, New Zealand. We are opening a consulate in Shanghai, and doubling the number of trade development officers stationed in Beijing. In the next few months, we will open a consulate general in Osaka, with a special mandate to promote trade and facilitate technological exchanges. We are assigning a technology development officer to the embassy in Tokyo, and are introducing a new "technology awareness and acquisition program", to support private sector missions in advanced industrial materials, automotive parts technology, and manufacturing technology.

We are spending more money on market awareness. The government will commit more than \$1 million to sharing costs of marketing efforts by Canadian business in developing or increasing their exports in the markets of Asia and the Pacific. We are particularly interested in helping deepen the awareness in China of Canada as a trading partner.

We are stepping up export missions. During the past year, several Canadian ministers have been promoting trade in Asian capitals. Next year, the Prime Minister will carry Canada's trading message personally to the Far East. Next week, Jim Kelleher, the Minister for International Trade, will lead a major export mission to New Zealand and Australia. Exporters and entrepreneurs are coming with me to India and Pakistan in December.

Finally, we are taking every opportunity to increase general economic co-operation between Canada and the Pacific Rim. One example is the new round of multilateral trade negotiations, which will set the new shape of world trade. Before the negotiations begin, I want to identify the common ground between Canada and the newly industrializing countries of Asia and the Pacific. I am sending senior officials on a trade policy mission to Korea, Indonesia, Thailand, Singapore, Malaysia and the Philippines. Their mandate is to identify specific areas where we can work together to increase joint leverage in the negotiations on market access.

In the same spirit, we are taking a more active role in the Pacific Economic Co-operation Conference, an initiative by business leaders, encouraged by governments.

Next autumn the fifth annual Conference on Pacific Economic Co-operation will be held here in Vancouver. We have established a national Pacific Economic Co-operation Committee of 24 prominent Canadian business, academic and political leaders, under the chairmanship of Eric Trigg.

In preparation for the Vancouver conference, members will meet in Bangkok to examine investment linkages, in San Francisco for a trade seminar, in Jakarta, to explore co-operation in the energy and mineral sector. The initial focus is on the economy and the private sector. But when I met the Canadian committee earlier this month, I urged them to explore the entire range of possibilities for Pacific co-operation.

There is one other country on the Pacific Rim I should mention in the context of trade. That is the

United States. They are of some importance to us, and we are of some importance to them. For example, British Columbia buys more US goods than China does.

More than three-quarters of our total annual exports go to the US markets. Obviously, we are extremely vulnerable to any protective trade actions taken by the United States, whether those actions are aimed at others, or at us.

Our general access to the American market is threatened with more erosion every day. There are over 300 protectionist bills in the Congress today. They either threaten or have already harmed \$6 billion in Canadian exports, and 140 000 jobs, affecting all regions of the country and a wide range of commodities.

That is the threat from Congress. In addition, various states dream up other ways to stop our trade. This summer, for example, four western states slapped a prohibition on our pork, claiming they didn't like the antibiotics our pigs were being fed.

Even when we are successful in beating back protectionist measures, we get only temporary relief. Today's victory results in tomorrow's attempts in Congress to change the legislation to catch us next time. That leaves a constant cloud over our exports, and naturally drives away some investment in these industries.

As we know too well, one of the most serious threats now is to the lumber industry. Americans buy more than half of all we produce, and 60 000 Canadian jobs are at stake. Three years ago, an attempt in Congress to impose new duties on Canadian lumber was defeated. There are now three new bills before Congress that would restrict our sales of softwood lumber.

Other exports under threat include sugar; and steel; and fish, and salt; and raspberries; and blueberries; and other products. There is even talk in the United States of imposing surcharges on all imports, and that would be a severe blow to our economy. It has been estimated that a 10 per cent reduction in our exports alone could throw a quarter of a million Canadians out of work.

So we have a threat we cannot ignore. Canada cannot afford to lose jobs, nor to have them continue under constant threat. The arrangements we have now are not good enough. We need a better mechanism for settling trade disputes and irritants; for reaching agreement on controversies over subsidies for industry, agriculture and fisheries. In brief, we need something better just to preserve Canadian jobs.

That speaks of some of the obstacles we want to discuss with the Americans, in the interest of Canadian jobs and security. But let's also look at the opportunities.

A better, fairer, more open trade arrangement with the United States would create new jobs, and better jobs. It would encourage new investment, not only foreign investment, but investment by Canadians as well, and that would build our industries, and make them more competitive throughout the world. We would, in other words, be selling more products not only to the United States, but to the rest of the world as well. Because we would be more competitive.

There are a great many Canadian producers who relish the challenge of greater access to a market of 250 million people. They are confident about their capacity to compete in a more certain North American environment. They have confidence in their capacity as managers, and in the skills, know-how and diligence of their workers. Consider, for example, the case of the Canadian petrochemical industry. Given Canada's abundance of natural resources, particularly natural gas, and relatively favourable costs, petrochemicals are one of Canada's strongest manufacturing assets. However, the industry is capital intensive. In order to be internationally competitive, it needs considerable economies of scale, which means having unfettered and secure access to a large market. You can all name other industries which would welcome and thrive in a market ten times the size of ours.

What the government has done so far is to invite the United States to begin negotiations on trade between the two countries. There may be no negotiations, if Congress refuses to consider arrangements which would limit its power to threaten Canada with protectionist bills. And if the negotiations begin, they may come to nothing, if Washington demands a price which we are not prepared to pay. But we believe we can strike a deal that would be good for Canada. We have no illusions, however, and we know Americans will be hard bargainers. If we cannot strike a deal that would benefit all of Canada, we will strike no deal at all.

These would be commercial negotiations between two distinct and sovereign countries, whose intelligent co-operation can create more jobs, more growth, and more economic security on both sides of the 49th parallel. The economic advantages of freer trade are undeniable. But we all know that modern nations are more than economies. The challenge will be to strengthen our economy and our sovereignty.

The question of Canada's sovereignty and sovereign identity is not new to me. For eight long months, four years ago, I fought and changed a constitutional measure, precisely because I believed it offended the nature of my country. Like my Prime Minister, and many of our colleagues, I came into active politics in response to Mr. Diefenbaker's vision and had the honour, a month ago, to announce sovereign decisions to ensure that northern integrity which he proclaimed.

I know something about this country — its strength, its contradictions, its sense of vulnerability. My own view is that, in recent years, we have become much stronger, as a national community, much more sure of our ability to compete.

The Canada of 1985 is not the fragile newcomer to the family of nations that it was at Confederation. We have come of age, and the expectations of our citizens have matured. It is now appropriate for Canada to be more assertive, both as to who we are, and what we can achieve.

Over the past ten years, other countries and other economies pulled ahead of Canada, despite our abundant resources and skills. We failed to keep pace with technological developments. In 1968, Canada exported more than Japan; today, Japan's exports are more than double our own. Globally, we fell from fourth to eighth as a major exporter. Out of 70 manufacturing sectors, we gained market share in only four, and declined in 21.

Those statistics are a warning. Industrial restructuring that saw Japan move from toys to high technology is being repeated in Korea, China, Thailand and India. The terms of trade are working against Canada's resource base, as we become more dependent on trade in primary goods. The bottom line is that we have not adjusted to a changing world as fast as our competition.

The irony, and the epitaph, of the past ten years in Canada is that while our competitors were reaching outward, we were looking inward. While Japan and Korea, and Germany, and the United States developed new technologies, we patriated a Constitution. While newly industrialized countries sought capital and growth, we enacted the Foreign Investment Review Agency and the National Energy Program.

We lost some time, and some advantages, and we have to win them back. I am confident we can do that, and look forward to working with you.