

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE,
TO THE
EXPORTVISION '92 CONFERENCE

TORONTO, Ontario
September 30, 1992

It is with pleasure that I am here today to launch ExportVision '92.

As part of ExportVision, a hundred or more Trade Commissioners will be fanning out across Canada in the days to come. They will be visiting some forty cities and towns, bringing fresh market intelligence to companies that are exporting or export-ready.

Yesterday, in Ottawa, I met with these trade officials to discuss the needs of Canada's export community and how External Affairs and International Trade Canada can best continue to meet them.

Let me tell you that we are all seized with the critical need to succeed in this effort. Put simply, international trade is Canada's bread and butter. One in three jobs depends on it. Our standard of living -- the envy of the world -- depends on it. Thanks in large part to our success as a trading nation, we've racked up a per-capita Gross Domestic Product (GDP) of more than \$22,000 -- in real terms, twice as high as it was in the mid-1960s.

Yes, the competition is brutal. It is tough, but we can and must keep reaching out to export markets. It is the export sector, after all, that is leading us out of this recession.

That's why I'm here to give my personal push for this ExportVision initiative. I believe that, by working together, we can maintain our export momentum.

Here in Toronto, our trade experts are available for meetings with the experts in making things happen: you, the exporters and soon-to-be exporters who show every day that Canadians can compete with the best in the world.

Your success in making the most of market opportunities has helped make the export sector the most vital and vigorous component of the economy. The competitiveness of our exporters is a key reason why the International Monetary Fund predicts that Canada's real GDP will rise by 4.5 per cent next year -- faster than that of any other industrialized nation.

For their part, International Trade Canada's officials know where the market opportunities are. They also know how to go about turning these very real prospects into solid sales.

My role as Minister for International Trade is to help open markets through negotiations, then work with our Trade Commissioners to help close deals for Canadians. These two tasks are complementary, and exploring the important linkages that exist between them will be the focus of my remarks today.

Trade Liberalization: The Ongoing Challenge

The process of opening markets begins with negotiating freer trade between nations, and we have been as aggressive as any government in the world in pursuing trade liberalization.

While still negotiating the General Agreement on Tariffs and Trade (GATT) Uruguay Round, Canada and the U.S. entered into the Free Trade Agreement (FTA), which enhanced our access to the world's largest market.

We are already seeing the benefits from that first, key initiative.

In a time of global recession and mounting pressure from protectionism, the FTA keeps the largest trading relationship in the world on track. When trouble does flare up, the FTA helps to localize and, sometimes, eliminate disturbances. Canada and the U.S. have striven to resolve our differences on issues in a manner that respect our mutual obligations.

The benefits from the FTA will continue to accrue. For, clearly, the Agreement is helping to speed Canada's transformation into a more competitive economy by changing our export profile. Look at the figures.

Our merchandise trade with the U.S. has increased by 10.7 per cent during the first three years of FTA implementation -- from \$292.5 billion in 1986-88 to \$323.7 billion in 1989-91. In the first quarter of this year, exports to the U.S. reached an all-time high.

In addition, the FTA has bolstered our leading-edge industries. Exports of Canadian end-products to the U.S. have grown by \$4 billion since 1988, with excellent results in the aerospace, industrial machinery, transportation equipment and specialty chemicals sectors.

Now, we are going beyond the FTA with an even more comprehensive trade liberalization initiative -- the proposed North American Free Trade Agreement (NAFTA).

Canada entered the NAFTA negotiations with the confidence that came from knowing that the FTA had proven itself a winner.

Our confidence proved to be fully justified.

At the outset of the NAFTA negotiations, we consulted extensively with the business community, and set out three key objectives.

- * First, we wanted better access for Canadian goods and services to Mexico. We got that.
- * Second, we wanted to secure the benefits achieved through the Canada-US Free Trade Agreement and, at the same time, improve access to the world's richest market. We succeeded.
- * Our final objective was to guarantee Canada's status as a highly desirable location for investors to serve the North American market. That too was achieved.

In short, we attained all three of our key goals.

Like the FTA, the NAFTA has caught the world's attention. Around the world, observers were impressed at Canada's ability to secure access to the U.S. market through the FTA. Now, they are noting that the NAFTA represents a breakthrough by achieving a mutually satisfactory economic alliance between two industrialized countries and one developing nation.

Right here in Toronto, Globe and Mail columnist William Thorsell recently wrote that, "NAFTA is probably the most progressive economic initiative for developing countries since the end of Empire."

I agree. The NAFTA is also a solid plus for Canada.

The evolution of the European Community shows that low-wage and high-wage countries mutually benefit from establishing closer economic ties. And that is what the NAFTA talks were all about, striking a triple-win deal.

By creating an open economic area with 360 million people and a combined Gross National Product (GNP) of more than \$7 trillion, we set up the conditions for a massive cross-fertilization of creative ideas, energies and abilities. We all stand to become more competitive globally as a result of this deal.

Of course, we must constantly be sensitive to how our other trading partners will view the NAFTA. We must be vigilant not to create barriers to trade with countries outside of the Agreement.

Free-trade areas are only allowed under the GATT under certain criteria, the foremost being non-discrimination. It is a principle to which all three NAFTA parties are committed.

We are also committed to the accession clause contained in the draft Agreement, which opens the door for any country to apply for membership, providing it meets the NAFTA rules and is accepted by the NAFTA partners.

Canada seeks to find partners to work with in the competitive, globalized marketplace. In Mexico, we have found an excellent partner. The accession clause shows we are also looking to work with other countries, including developing nations.

The economic transformation of Mexico has been nothing short of breathtaking. In 1986 Mexico joined the GATT. New economic reforms were introduced, including debt reduction and privatization of state enterprises. Then came Mexico's landmark decision to pursue entry into a North American free-trade agreement.

The new spirit of dynamism in Mexico's economy, which is modernizing at an astonishing rate, means many opportunities for Canadian exporters of goods and services. Certainly the recent announcement by the Bank of Nova Scotia that it was re-entering the Mexican market in partnership with a local institution is a good sign.

Today, the benefits to Canada from our economic relations with the developing world are obvious. We export some \$12 billion of goods and service to developing nations annually, creating some 180,000 jobs for Canadians. Our contributions to international institutions buy an admission ticket for Canadian business to enter another multi-billion-dollar marketplace.

As for the future, it is in our interest to see the developing world prosper, and the NAFTA shows the way toward enhanced mutual prosperity.

Slowly but surely, the global economy is moving toward a stronger performance. In Canada, our strong export results are leading the way. When the global recovery arrives, the NAFTA deal should be in place. Then the stage will be set for a true North American economic renaissance.

However, a sustained global recovery hinges on the nations of the world bringing the Uruguay Round of GATT negotiations to a successful conclusion.

We have no higher trade policy priority.

As a nation with more than one-quarter of its GDP accounted for by trade, Canada has benefited enormously from the tenfold increase in world trade since the inception of the GATT in 1947.

Now, like other countries, we have much at stake in the Uruguay Round.

Success of the Round would mean further cuts in tariffs and a broadening of the GATT rules to cover agriculture, services and intellectual property.

Failure would, at a minimum, leave the world trading system deadlocked over vital issues; at worst, it would foster a virulent new strain of protectionism and reverse the global momentum toward economic liberalization.

I believe that major progress has been made in the GATT negotiations since last spring. Canada has made a significant contribution to global trade liberalization through our role in negotiating the FTA and the NAFTA. In the months to come, we will continue doing our share as we strive to bring about a successful Round, one that will make global trade liberalization a reality.

Trade Development: Matching Policies With Performance

There is a fundamental reason why we are working so hard to see the Round succeed and why we negotiated the trade agreements. Our core belief is that trade in an era of globalization is not a zero-sum game, and trade liberalization creates opportunities for all.

Of course, trade development is the name of the game when it comes to turning those opportunities into export sales for Canadian companies.

True, it requires resources to develop trade, investment and strategic alliances for Canadians. But the investment is a sound one. In fact, every government dollar spent on business development by International Trade Canada returns over a hundred dollars in contracts for the private sector. Every billion dollars of exports means 15,000 new jobs for Canadians.

How can we make that investment pay off for your company?

ExportVision is all about providing detailed answers to that question. I invite you to attend today's and tomorrow's seminars on the basics of exporting, or the in-depth discussions of the opportunities that exist throughout the world.

It has been my experience in travelling the world on behalf of Canada's exporters that we have what it takes to take advantage of those opportunities.

In Vietnam and Malaysia, which I recently visited, or on previous trips to the Gulf States, the European Community, Russia and Ukraine ... the story is always the same: Canada has the goods and services to sell that the world wants to buy. Just as important, we can offer excellent investment and strategic alliance opportunities.

The hands-on business people I travel with on these trade missions know that the possibilities are out there. They tell me that they also come to learn how much International Trade Canada can help realize that potential.

Still, as a country, we have a long way to go toward maximizing our efforts to exploit global opportunities. For all the importance of trade to our national well-being, only 32 per cent of manufacturers export in the first place. Less than 100 of Canada's 30,000 exporting firms account for over half of our sales abroad.

Of course, for first-time exporters, making the commitment to export is a big decision. After all, you are leaving the familiar environment of your domestic market to tackle an unfamiliar foreign market. You will do battle against entrenched competitors for customers who don't know your company.

But you are not alone. Canadian Trade Commissioners live and work in Mexico, for example, as they do in over one hundred countries throughout the world. They can be your eyes and ears in distant or unfamiliar markets. They help exporters start or expand their international marketing plans. Getting to know our Trade Commissioners will help to cut costs, avoid pitfalls and seize opportunities.

Mexico: A Case Study

Let us look more closely at the burgeoning new market in Mexico to see how the new resources we are investing in trade development there will help Canadians benefit from the trade liberalization that NAFTA represents.

In the NAFTA talks, we won substantially improved access to the Mexican market, in that:

- * with very limited exceptions, Mexico's tariffs and import licensing restrictions will all be gone in ten years;
- * we will have the opportunity to bid for major Mexican government procurement contracts;

- * there will be major liberalization of the Mexican investment regime, although, as in Canada, there will be the opportunity to screen large-scale foreign acquisitions; and
- * the Mexican services market will be opened up, including land transport, specialty air services, professional services, and enhanced telecommunications.

The reduction of Mexican barriers will lead to new opportunities for exporting our goods and services. Canadian firms will be able to increase sales in sectors that were previously highly restricted, such as autos, financial services, trucking, energy and fisheries. The elimination of Mexican tariffs and import licensing rules will provide barrier-free access to 85 million consumers.

Canadians have already been making some key, bellwether sales in Mexico. One key reason is that Canadian companies have the knowledge-based products and services needed to bring that country's infrastructure into the 21st century.

This July, for example, a joint venture of the Ottawa-based SHL Systemhouse Inc. and a leading Mexican computer systems management company won a US\$500-million contract to build and manage information systems, to support taxpayer and customs requirements for Mexico's Finance Ministry.

Another example: this August, SNC-LAVALIN International Inc. was awarded a \$25-million contract to modernize Mexico's geomatics information system. The new system will involve a unique integrated digital mapping system developed by Energy, Mines and Resources Canada.

The list of deals that have been closed is long and will get much longer. In the first six months of 1992, Canadian exports to Mexico reached \$400 million, nearly double over the same period last year. The improved market access achieved in NAFTA means that the best is yet to come.

To ensure that this potential is realized, International Trade Canada is taking steps to boost the impact of our Mexican trade development. We will:

- * increase the number of trade fairs and missions sent to that country to more than twenty over the next year;
- * expand our trade presence in Mexico, including the opening of satellite trade offices in the fast-growth regions of Monterrey and possibly Guadalajara; and

- * we are going to dramatically increase the flow of information on Mexican business opportunities throughout Canada.

Today, for example, an ExportVision special edition of Partnering for Success -- an extremely useful guide to pursuing opportunities in Mexico -- is being made available.

The benefits that will flow to Canadian firms from the North American Free Trade Agreement that my Mexican and American colleagues and I agreed to last month could be enormous.

The new initiatives we have under way will help pave the way into the Mexican marketplace and then bring home the benefits.

Tomorrow, Canada's Ambassador to Mexico, David Winfield, will be exploring the positive implications of NAFTA for individual companies in greater detail.

Global Linkages for Canadians

I hope to have demonstrated today some of the key linkages that exist between our global trade liberalization policies and trade development programs. Now I would like to close the loop by looking at linkages with our domestic policies and practices.

Eight years ago, when the Government took office, it determined to take steps necessary to renew and strengthen the Canadian economy. Rather than resisting the forces of global change, Canada needed to harness them to its advantage.

At the heart of the Government's approach was the determination to make the private sector the driving force of this economic renewal. Government policies would create an environment to encourage and reward entrepreneurship and facilitate adaptation to the changing international economic demands.

By opening Canada's economy to greater competition and by encouraging Canadian firms to adopt global business strategies, Canada could remain one of the most prosperous societies in the world.

Over the past eight years, our approach has won praise from international institutions such as the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD), and from the international investment community.

More recently, the Prosperity Initiative has brought thousands of individual Canadian business people into the process of planning for new policy innovations.

This has been a busy agenda, filled with actions and results. We have shown that we are open for business. We have shown that we mean business.

Of course, the business of building a renewed Canada is now on the mind of every Canadian.

Undeniably, the latest round of talks on Constitutional renewal has been long and arduous. It has been confusing for many Canadians and often painful for Canada as a whole. Many are wondering if it was worthwhile. Why couldn't we just leave things alone? Why bother with constitutional renewal at all?

The answer is simple. If we wanted a strong, united Canada -- a Canada ready to evolve and adapt to the challenges of the 21st century -- the Constitution needed to be amended. We had to make fundamental changes in the way the federal and provincial governments work together, to ensure that team Canada can evolve to meet the requirements of an increasingly competitive, interdependent world.

Some Canadians have been complaining that the process of Constitutional renewal has been obscuring the bread-and-butter issues of the economy -- the so-called pocket-book issues like unemployment. What I hope that these people will agree on is that the pocket book issues are inextricably linked to national unity. Our jobs, our financial stability, our standard of living and our prosperity depend on the achievement of a lasting constitutional settlement.

Whatever our differences, all Canadians can agree on one thing. We all want to secure a lasting constitutional settlement so that governments in every region and at all levels may turn their full attention to economic recovery and growth.

We need a united Canada -- a Canada where we can face the global challenges of the 21st century together. We need a Canada where, by working together, we can preserve and strengthen our privileged place within the community of nations.

Thank you.