

STATEMENT DISCOURS

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NOTES FOR AN ADDRESS BY
THE HONOURABLE JAMES KELLEHER,
MINISTER FOR INTERNATIONAL
TRADE, TO THE CANADIAN
CHAMBER OF COMMERCE IN JAPAN

TOKYO

FEBRUARY 8, 1985

Thank you very much, Mr. Chairman, for your kind introduction. I am pleased to have been given this opportunity to address the Canadian Chamber of Commerce in Japan. The businessmen here today, both Canadian and Japanese, are the foundation upon which our nations have built our economic partnership. That partnership is solid today, and I am confident that it can and will become even stronger in the future.

I confess that there was one point in my life, many years ago, when I was not as optimistic. It was in the early fifties, and I had a friend who had lived for awhile in Japan and considered himself something of an expert. It was his view, at the time, that Japan was in dire economic straits and could never get out of them. Too few natural resources to support too many people, he said. Absolutely no hope.

Well, he has spent many years eating those words. His only consolation was that he could go to the store and buy plenty of Teriyaki sauce to wash them down with.

I find it particularly appropriate that one of my first overseas visits as a Minister brings me to this land of miracles. The bonds that make Canada and Japan partners across the Pacific are strong. We cooperate in economic, political and commercial affairs. Because Japan is Canada's second largest trading partner, and because it is the country that led the dynamic growth that has been taking place in the Pacific, I'd like to focus on the trade dimension of our relationship as I see it.

As I think you all know, one of the main themes of the new Government in Canada is national economic renewal, the pursuit of all means at our disposal to promote balanced and sustainable economic growth. The process of renewal requires cooperation at all levels in Canada. Cooperation, in turn, requires consultation, and last week I issued a Discussion Paper that will serve as a basis for consultations, with the private sector and then with the provinces, on how to secure and enhance Canadian access to the world's export markets.

I will not go into lengthy detail about the Paper, because I suspect that many of you have seen it by now. In brief, however, it covers three areas.

The first part outlines the changing international trade setting, with its many challenges and opportunities, stressing the great potential for increasing Canada's trade with the countries of the Pacific Rim.

Part two of the Paper considers our involvement in the next round of multilateral trade negotiations under the GATT. Canada fully supports the initiative taken by Japan and the United States towards beginning a new round, and we are seeking the views of Canadians so that we may determine our own priorities and help shape the agenda for the Round.

The third part of the Paper addresses our trading relationship with the United States, which is by far our largest trading partner, and sets out four options for securing and enhancing our access to the U.S. market. These include reliance on the existing arrangements, the negotiation of new sectoral agreements and/or non-tariff agreements, the negotiation of a comprehensive agreement, and the negotiation of what might be called a "framework" agreement -- in essence, an agreement in principle to work together to enhance our bilateral trade.

We are entering these consultations with no pre-conceived notions -- except, of course, our support for the GATT. We hope to come to some conclusions within a few months, and begin to put our conclusions into action. My message to you here is that, whatever the conclusions turn out to be, they will in no way distract us from one conclusion we have already reached: that the Pacific Basin in general, and Japan in particular, are going to figure very prominently in our efforts to promote trade.

The market access paper is only one of the initiatives the Government has been taking to improve Canada's trading performance. At the end of next week I will be in Regina to assist Prime Minister Mulroney and the Premiers of Canada's ten provinces in a discussion of trade policy options.

The First Ministers' Conference will be an important prelude to the National Economic Summit Conference in March. During the Summit, Canadian business people, labour leaders, academics, politicians and others will meet in a spirit of cooperation to identify the challenges and chart new objectives. Achieving economic renewal will involve action on many fronts. It requires putting our fiscal house in order. It requires redefining the role of government so that it provides a better framework for growth and job creation. It involves establishing incentives for investment, both Canadian and foreign. And most importantly from the perspectives we share in this room, it involves the promotion and encouragement of our exports to the rest of the world.

That includes giving our full support to keeping the world trading system open in the face of strong protectionist pressures. The new protectionism is one of the products of the world's recent economic and financial problems -- recession, compounded by high oil prices, compounded by mercurial interest rates, compounded by inflation, compounded by the international debt crisis which forced many nations to reduce imports.

Being the product of so many fathers, the new protectionism has been less predictable in its forms and its effects than plain old-fashioned tariff protection. Orderly marketing arrangements, new taxation, subsidization, government purchasing practices and slight variations in domestic technical standards have all had a protectionist effect. This has created a serious erosion of the open multilateral trading system.

Central to our new trade strategy will be a determined effort to reverse this protectionist trend, and I am encouraged by the emerging international consensus in favour of a new round of GATT negotiations.

A new round should provide an opportunity to reduce further the tariff barriers to trade, to tighten discipline on the use of non-tariff measures, to facilitate the adjustment of industries which are internationally threatened and to secure commitments to multilateral trading obligations from newly industrialized and developing countries. As Economic Summit partners we must examine, on a priority basis, the preparations necessary for a new round and the opportunities it might present for new areas such as trade in services and high technology products and trade-related investment regulations, as they emerge. I will be attending the Quadrilateral Conference this weekend in Kyoto and I hope to explore with my colleagues from Japan, Europe and the United States the initiatives that we might individually and collectively take to bring a new round of negotiations closer to multilateral reality.

In the meantime, we have the bilateral reality of the Japan-Canada economic relationship. Let me share with you some of my ideas on the direction in which I believe we are going in that relationship. Japan has been Canada's second largest trading partner for more than a decade. Two-way trade has more than tripled. Japan has become our fastest growing export market. Last year our exports to Japan took a quantum leap of 25% over the previous year's exports. We value our trading relationship with Japan and are committed to retaining our market position.

Japanese imports of Canadian resources -- coal, copper, wood products and other commodities -- have made an enormous contribution to the development of the Canadian economy. I can assure you that our Government shares Canadian suppliers' strong commitment to the Japanese market. We intend to remain reliable and competitive suppliers of basic industrial materials as well as basic foodstuffs. I cannot foresee the day when Canada would be unable to meet Japan's requirements. Our willingness to ensure security of supply requires, in turn, continuing market security at prices sufficient to ensure the viability of our resource sectors.

I recognize that the critical means of securing our existing markets in Japan is to increase our international competitiveness. My Government will be concentrating on two parallel initiatives to improve our competitive position in the world.

First, we will facilitate the restructuring of our primary sectors, particularly the fisheries, forestry and mining sectors. We must lower their production costs whenever possible. Second, we will increase our efforts in the development of our human resources. This will be done through technology and training policies that encourage increased R & D expenditure by the private sector, that support the production of Canadian technology and the adaptation of foreign sourced technology, and that facilitate the diffusion and application of technology.

I have been a businessman myself for too long to believe that securing existing markets is, in itself, enough. My colleagues in Cabinet share my view that more must be done. We cannot afford to be complacent over past successes. We must redouble our efforts to identify new markets and expand our exports. This means staking out new routes into new markets, finding the access doors, opening them, identifying and understanding the competition, knowing where the levers are and how to operate them. Where we mounted a good trade development effort in the past we must now mount an excellent effort.

An indication of the potential shift to new Japanese markets is your emphasis on the development of knowledge intensive industries. The long term impact on Canada will be to open new market horizons for the export of resources in processed form and the concentration of energy intensive resource processing in Canada. We are preparing for this shift with major investments in our processing capacity and our delivery infrastructure. Canada also has a strong manufacturing sector of its own. You can see evidence of our industrial potential in the way we lead the world in telecommunications and broadcast satellites. We have developed the "Canadarm" for the NASA space shuttle. We have, furthermore, produced in the CANDU, the world's most efficient nuclear reactor. Canada is stepping boldly into the new world of information and communications technology and we see Japan as an important potential market.

Last year's growth in Japan's total imports, particularly the 14% increase in finished product imports, encourages Canadians to focus priority attention on new market opportunities particularly in those areas which have recorded steady import growth, such as food products, construction materials and chemicals.

Another area of significant potential involves the investment and finance sector, given the major pools of new capital in Japan. Last year, the total outflow of long term capital was 17.7 billion dollars. While Canada has not been a favoured location for Japanese equity investment, we have been the host of significant indirect investments. Surely on the basis of this demonstrated portfolio confidence, we can work towards encouraging greater Japanese direct investment in our processing and manufacturing sectors. Our government's decision to replace FIRA with Investment Canada, an agency mandated to promote investment, is a first step in the process of attracting investment funds to Canada. Over the course of the next few months we will be staging a number of investment seminars in Japan. These seminars will demonstrate how Japanese businessmen can capitalize on Canada's educated workforce, well-developed infrastructure and access to the vast and lucrative North American market.

Businessmen in Japan and Canada have built a solid network of corporate and personal links. These bonds of friendship and cooperation provide the basis for a mutually beneficial trading relationship in the future. I envisage for myself a role in securing a climate in which each of you can identify and pursue emerging opportunities.

One of my first meetings in Japan was with Mr. Murta, Minister for International Trade and Industry. We discussed a number of points in our economic relationship. I assured him that my government will provide an environment that will enable Canadian and Japanese businessmen to get on with doing more business with each other. We agreed on the need to promote the flow of investment; on the need for greater cooperation in the service and finance industries and on the need for expanded cooperation in the field of science and technology. I am particularly encouraged by the range of small and medium sized firms in our two countries which are exchanging technology and collaborating to build on their respective strengths in world markets. The momentum of this collaboration represents vast potential for our two countries.

Let me emphasize that Canada fully understands that trade is a two-way street. Virtually every Canadian has benefited from the high-quality manufactured goods that Japan supplies. We continue to welcome this contribution to our national life. We look in return for access to your markets for the broad range of quality Canadian goods and services.

The years ahead will be challenging. Our governments are united in confronting the challenge of restructuring our economies and in maintaining an open international trading system. But government action alone is not enough. I challenge the private sector on both sides of the Pacific to build upon their corporate and personal links, in finding new mechanisms to forge closer links in trade, technology and investment. I know you have the vigour and imagination to meet the challenge. What I can promise you in return is my full support and cooperation.