

STATEMENT DISCOURS

MINISTER
FOR
INTERNATIONAL
TRADE.

MINISTRE
DU
COMMERCE
EXTÉRIEUR.



NOTES FOR AN ADDRESS BY
THE HONOURABLE JAMES KELLEHER,
MINISTER FOR INTERNATIONAL
TRADE, TO THE UBERSEE CLUB

HAMBURG

DECEMBER 5, 1934

Thank you very much, Mr. Chairman.

I am delighted to be in the free and Hanseatic city of Hamburg this evening, this beautiful and bustling city of Hamburg. Hamburg has been one of Europe's major centres of industry and trade for eight centuries, which is a span of history that most of us in Canada cannot readily comprehend. It is certainly appropriate that my first visit to the German Federal Republic as Minister for International Trade begin here.

I am also honoured to have been invited to address you, the members of this prestigious club. It is my understanding that I am the first Canadian trade minister to speak here since the Ubersee Club was founded, during the Weimar Republic in 1922. I know something of your tradition, of serving as a forum for "discussions that transcend national borders, political differences and philosophies" and I will attempt to direct my remarks accordingly -- although I confess I am not aware of any significant political differences between us.

Indeed, we have a great deal in common, and I propose this evening to explore with you how we may further enhance the strong commercial bonds that already exist between us. For Canada, West Germany is a valued friend, ally and partner in a complex and changing world.

Let us take a look at the scope of our partnership. The Federal Republic is Canada's fourth largest trading partner, and I am happy to say that the volume of trade, after two disappointing years, has rebounded strongly. During the first seven months of this year, our total bilateral trade was up by a third over the year before, and you will be happy to hear that your exports to Canada rose by 47%.

You are also our third most important source of foreign direct investment. Altogether, some 1,500 Canadian companies are owned or controlled by German parents. Names such as Volkswagen, BASF, Bayer, Deutsche Babcock, Kloeckner and Preussag are very familiar to us -- although we may not always pronounce them properly -- and two important new projects have recently been started: a joint venture between MBB and Fleet Industries in the helicopter industry in Ontario, and the Key Lake uranium mine in Saskatchewan, the largest open pit uranium mine in the world. There are also 100 or so Canadian companies with interests or subsidiaries in Germany.

The alliance of our two nations in the dedication to freedom and democracy is also very important to us. As members of NATO, you use bases in Canada for military training, and of course we have bases here. I am also very pleased at the decision by the German Ministry of Defence to purchase seven of our Canadair Challengers for their Special Air Mission Unit.

As broad and rewarding as our relationship is, I believe we are all aware that we have not always made the best use of it. The fault, I suggest, is more ours than yours, and I bring you the assurance that Canada's new Progressive Conservative Government intends to correct the situation.

Canadians are a strong and dynamic people. As a nation we are blessed with a great endowment of natural resources. We benefit from excellent economic infrastructure built over a long period of time. Our imagination and enterprise are boundless. We have great potential for growth. Yet over the past decade our performance has fallen short of that potential.

There is no single reason for this. Volatile international markets have created difficulties for us, particularly in terms of our resource-based exports. But the same markets have also created opportunities, opportunities we have been too slow to seize. Changing technology has led to the decline of some of our traditional industries, but it has also created new challenges which we have been slow to meet. Rapid growth in our labour force has kept unemployment unacceptably high, but it has also provided the opportunity for strong, non-inflationary growth. We have failed to exploit that opportunity.

In large part, our disappointments were brought on by an unwillingness to face realities. For too long the government ignored the causes of problems and dealt only with the symptoms. For too long it allowed its fiscal situation to deteriorate and its debt to increase. Through excessive regulation and intervention, it substituted the judgments of politicians and regulators for the judgments of the marketplace.

The new government intends to change all that. Canada is under new management. We have an overwhelming mandate for change, and what we are undertaking is a process of national renewal. We see three major areas that require our immediate attention.

The first thing we must do is to put our own fiscal

house in order. Controlling the budget deficit will be our priority this year and in the years to come. Our immediate goal is to reduce the deficit through reductions in expenditures rather than major tax increases. We are already making progress. A review of possible spending reductions and revenue recovery measures has already turned up ways to shave 12% off the deficit projected for the next fiscal year. Our goal is to at least triple those savings by 1990.

Our second major challenge is to redefine the role of government so that it provides a better framework for growth and job creation. Government must not be an obstacle to business. It should afford a climate which stimulates change and innovation. We must move away from having too many of our industries over-regulated, and others over-protected not just from imports but from domestic competition. Programs designed to assist investment should not have the perverse effect of distorting it. Policies and programs should not send the wrong signals abroad -- signals that Canada does not welcome foreign investment, particularly in the energy sector. Thus, our third major challenge is to establish a stable policy framework with proper incentives for investment and growth.

At the same time, it is essential to take action to ensure that the private sector can expand to provide durable growth and productive jobs. To do this, we will encourage enterprise in Canada. We will reduce the regulatory burden, not as an end in itself, but to release the creative energies of individuals and companies to experiment, to innovate and to produce better goods and services at lower prices.

In this respect, we will soon propose changes in two institutions that have given particular concern to the German business community. These institutions are the Foreign Investment Review Agency and the National Energy Program, and we expect that their new mandates will make Canada measurably more attractive to foreign investors. We intend to make Canada a better place to do business.

We also intend to increase the business we do outside of Canada. Trade is Canada's life-blood. Exports account for almost one-third of our national income. Some two million Canadians work in industries that directly or indirectly depend on exports. Yet our trade performance has been faltering. In 1968, we ranked fourth among the world's trading nations; today we are eighth. One of the fundamental thrusts of my government -- and certainly my own most daunting responsibility -- is to restore Canada's stature as a first-class world trader.

Obviously, we cannot do this without paying

something of a price. If we want increased access to your market, we will have to give you increased access to ours. Since Canada is the only major industrial country without unimpeded access to a market large enough to permit substantial economies of scale, we understand that.

You have no doubt heard of the importance our government has given to improving our relations with the United States, which is the closest thing we have to our own mass market. Let me reassure you, however, that our approach to the United States will not be at the expense of our relations with Germany or our other trading partners. Indeed, closer relations with the United States can mean more opportunities for us to do business together. For example, we are reequipping our Armed Forces; we are currently building six new frigates for our navy, we are evaluating proposals for a low level air defence of our bases here in Germany, and there will be more requirements in the future. Firms that will be awarded contracts in this venture are those which invest adequately in Canada and assure a significant technology transfer. Moreover, firms established in Canada can also bid for defence requirements in the United States, thanks to our defence production sharing programme with that country.

There is also an emerging international consensus, led by the United States, in favour of a new round of multilateral trade negotiations under the GATT. These negotiations will provide an opportunity to reduce 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 increased commitments to multilateral trading obligations from newly industrialized and developing countries. As economic summit partners in the Group of Seven, Canada and Germany together will need to examine, as a matter of priority, the preparations necessary for a new round of GATT negotiations, and the opportunities such negotiations might present.

It would, of course, take several years to complete another round of GATT negotiations, but since the results will have a profound impact on the environment in which businesses must trade and make a profit, I can only suggest that you, as international business people, take an active interest in the negotiations, and in the discussions that lead up to them.

I would also like to suggest that you pay a certain amount of attention to the progress that the new Canadian government manages to achieve in establishing new directions for our country. We intend to demonstrate fiscal responsibility. We intend to do away with unnecessary and

redundant regulation, and to remove obstacles to economic growth. We intend to attract investment in Canada, from Canadians and from investors in Germany and other parts of the world. And we intend to restore ourselves to what we consider to be our rightful position as a consummate trading nation.

So watch Canada. Canada and Germany have done a great deal together in the past. We will do a great deal more together in the future.

Thank you.