Statement / Déclaration

Minister for International Trade

Ministre du Commerce extérieur

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NOTES FOR A SPEECH

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

AT THE

VANCOUVER BOARD OF TRADE

THE WORLD TRADE CENTRE

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Affaires extérieures et Commerce extérieur Canada

Canada

VANCOUVER - BOARD OF TRADE

Ladies and Gentlemen:

It gives me great pleasure to be able to join you today on this occasion when you are able to meet and mingle with our professionals on the front lines of the Pacific theatre. There are 18 heads of mission here today including our newest recruits like "Si" Taylor, our new Ambassador to Japan, John Higginbotham in Hong Kong, Ingrid Hall in Indonesia, Nancy Stiles in Sri Lanka, Bernie Gagorz in Singapore and Andre Simard in the Philippines.

I know you will find them a first rate team of men and women who can assist you in gaining greater knowledge of this key part of the global economy.

They have seen the future; and it not only works - it works hard and well. Clearly, the nations of the Pacific Rim are setting new standards in international competitiveness which we must strive to match.

Given the expertise assembled here in Vancouver, it is not my intention to focus on the details of our strategic response known as Pacific 2000.

I recognize that many of you already know its contents.

- a Pacific Business Strategy to expand activities under the National Trade Strategy to increase the number of trade offices in the region, and to foster technology transfers and investment alliances;

- a Japan Science and Technology Fund aimed at strengthening our scientific and technological base through bilateral links; starting with the agricultural bio-technology workshop here in Vancouver and the ocean sciences conference in Victoria;

- a Language and Awareness Fund to help Canadians learn the languages and customs of the region, so our private sector can better understand their potential customers;

- and a Pacific 2000 Projects Fund to help Asians better understand the potential of our own country.

You know as well that this Pacific Initiative is only part of our overall national trade and investment strategy - a strategy that includes:

- better market access to the U.S. through the FTA, so our companies can attain competitive scale and specialization;

- better market access around the globe though the ongoing GATT negotiations, so we can use our growing strength to compete and win abroad;

- the encouragement of new job-creating investment in Canada, particularly by foreign manufacturers who, thanks to the FTA, can now use Canada as the gateway to the North American market.

- and more aggressive trade and investment programs specifically tailored to Europe, the United States and the Pacific Rim.

These are all important initiatives to improve our international competitiveness. And they are paying off.

Witness, for example, the success of our beef sector in Pacific Asia - the first activity in the Pacific 2000 initiative. I am pleased to report that our strategy has helped 1989 beef exports to Japan rise three-fold over 1988.

We have also seen excellent results in forest products.

Many of you are aware of the accomplishments of the Council of Forest Industries in developing a Canadian 2 by 4 wood frame building system; and the recent certification of COFI as an official testing organization by Japanese authorities.

However, less among you may know that the largest 2 by 4 platform construction homebuilder in Japan has now decided to switch from Asian to CSP plywood from B.C. - a major breakthrough which will allow B.C. plywood to dramatically increase its market share during the 1990's.

These are two excellent examples of the kind of opportunities available to Canadians in the Pacific Rim.

And I could go on, for we are not just selling our resources. We are selling helicopters and office machinery to Japan; pipelines to Malaysia; flight simulators to Australia; telecom equipment to China and power systems to India. All good news.

But the reality is, no matter how good our trade and investment strategy is, we can only maximize our international competitiveness if we meet some fundamental challenges here at home, including the fundamental challenge of reducing our annual deficit so we secure a future of low inflation and low interest rates.

To achieve our potential for greater economic growth and job creation, it is vital that we build on the hard-earned fiscal progress we have made since 1984.

In a real sense, we have had to fight not one deficit, but two.

In 1984, the federal government was living far beyond its means. It had to borrow $16 billion just to cover the difference between spending on programs and the revenues it collected. That was the first deficit - the operating deficit.

At the same time, a $200 billion mountain of debt was generating more than $22 billion in annual interest charges. Every penny of this interest was paid by additional borrowing. This was the second deficit.

Before we could even begin to deal with this second problem, we had to eliminate the first.

The first priority was spending on government operations - the cost of running the government. In 1984, this cost $17.4 billion. We have cut this to $16.8 billion in spite of a larger workload.

In December, the President of the Treasury Board announced further steps to eliminate waste, improve efficiency and save $1.4 billion over the next three years.

We also eliminated outdated programs and restructured or restrained others. With tight discipline and good management, the program spending that amounted to 19.5 per cent of the economy in 1984 has been reduced to 16 per cent this year - the equivalent to a $22 billion reduction in spending.

In 1987-88, we reached the first major milestone in the battle against the deficit when we turned the operating deficit into a surplus which now stands at $9 billion.

However, despite the fact that we have cut the annual growth of the debt from 24 per cent to less than 10 per cent since 1984, the debt is still growing faster than the economy - faster than our ability to pay.

With the expenditure control actions in this year's budget, we will ensure that our operating surplus continues to grow. But we will also ease the burden of rapidly growing interest payments.

Our two year expenditure control plan will have a major impact on program spending. All areas of program spending were reviewed and a wide range of programs is affected. In designing the measures, we were sensitive to the financial circumstances of individual Canadians as well as governments.

* We have exempted major transfers to persons. These include elderly benefits, family allowances, veterans' pensions and allowances and unemployment insurance benefits. We have also exempted the equalization program and Canada Assistance Plan transfers to those provinces receiving equalization. In short, we are trying to be lean without being mean.

* We have capped the growth of a number of programs at 5 per cent per year for the next two years. These include Canada Assistance Plan payments to the stronger provinces of Ontario, Alberta and British Columbia.

* We have held a number of programs at their 1989-90 levels for the next two years. Total per capita cash and tax transfers to the provinces under Established Programs Financing will be held constant; and will continue to grow with provincial populations.

* We have reduced or eliminated a number of programs. The government will not proceed with the offer of assistance for the construction of the OSLO oil sands project. The Canadian Exploration Incentives Program is cancelled. And the government will not proceed with the Polar 8 icebreaker project, due to significant increases in the estimated costs and changes in the international environment.

* We are taking a more businesslike approach to assistance to business; and

* We are implementing a wide range of other measures to increase efficiency and reduce the cost of government operations, including the privatization of Telesat Canada and PetroCanada.

These measures, with the expenditure restraint of previous years, have made it possible to restore the deficit to a downward path without increasing taxes.

The decisive actions in this budget bring us back to the fiscal track set to in the 1989 budget. We will cut the deficit to $28.5 billion in 1990-91.

The measures ensure that the deficit will be more than cut in half to $14 billion by 1993-94. By the following year:

* The deficit will be further reduced to $10 billion.

* The government will begin to pay down its bonds and Treasury bills.

* Program spending will fall to 14.2 per cent of national income, the lowest level since the late 1960's.

* The surplus of revenues over program expenditures - our operating surplus - will reach $31 billion.

* The burden of debt will be reduced as the public debt shrinks relative to our national income.

* As a direct result, the portion of every revenue dollar that today goes for debt interest will be reduced from 35 cents and rising, to 26 and falling.

In short, we will regain the flexibility needed to make real choices about the kind of country we will pass on to our children. And we will be able to make those choices in a climate of lower inflation, lower interest rates, durable economic growth and greater international competitiveness.

Let me make it clear that our deficit is <u>not</u> a federal problem. It is a national problem requiring a national solution. That means the Provincial governments, particularly our wealthier provinces, must do their part, just as they will reap the awards of lower inflation, lower interest rates and sustained growth.

The numbers explain why the provinces must become part of the solution.

In the last fiscal year, we transferred tax and cash to the provinces totalling more than $35 billion - spending which has risen at an average rate of 6.5% since 1984-85.

During the same period, spending on federal programs in general rose at only 3.6%, below the rate of inflation. And federal government operations were actually cut in real terms.

In short, it has been the level of federal transfers which has caused federal spending to rise; and which has allowed B.C. and other provinces to avoid the kind of deficits shouldered by the federal government. In fact, federal transfers make up more than 22% of total provincial government revenues.

Our plan is not to actually cut spending flowing to B.C. and the other wealthier provinces. Rather, we merely propose to limit the overall increases. Transfers to B.C. under EPF and CAP are expected to rise by $100 million a year. On a per capita basis, federal transfers are expected to amount to $992 for each B.C. resident in 1990-91 and $1,000 the next year.

We believe this solution is fair. For we are asking the strongest provinces of our nation to help us solve a national problem - a problem which has been caused in part by federal transfers to the provinces.

We don't like having to do it; but it is a necessary part of the solution.

B.C.'s own Bruce Hutchinson, the dean of Canadian journalists, once wrote that the Canadian breed has never failed a single decisive test when the alternatives were clear. For whatever else it may lack, the nation is rich in sanity.

Today, I have attempted to lay out some of those alternatives for you as we face an increasingly competitive global economy. I would suggest the alternatives couldn't be more clear.

We have a choice between a future of lower deficits, lower inflation, lower interest rates and higher growth if we work together to solve our national debt problem, or a future of higher deficits, higher inflation, higher interest rates and economic stagnation if we don't.

Faced with these clear alternatives, I can tell you that my colleagues and I are absolutely convinced the fiscal plan laid out by Michael Wilson is right and necessary for our country.

So I ask <u>you</u> to consider the alternatives facing this country. And I'm confident that when you do, you will support us as we stay the course towards a more competitive, progressive and united Canada which can take its rightful place in the global arena.

Thank You.