

Statement

Minister for
International
Trade



Déclaration

Ministre du
Commerce
extérieur

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CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

TO THE

CONFEDERATION OF FINNISH INDUSTRIES

HELSINKI

May 28, 1990.

Chairman Ihamuotila, Minister Puolanne, Ambassador Vandenhoff,
Ladies and Gentlemen.

Let me say at the outset what a pleasure it is for me to have this opportunity to address the members of the Confederation of Finnish Industries.

As Canada's Minister responsible for International Trade, I am acutely aware of the role the private sector must play if we are to achieve continued economic growth. Your organization has a reputation for being forward-looking and globally-oriented; characteristics which I believe are becoming more evident among businessmen and women in Canada.

To some extent, I think the government of which I am a Minister can claim responsibility for helping engender a more outward-looking Canada. It is one of the results, I believe, of the signing of the Canada-United States Free Trade Agreement. I understand you would like me to speak about the implementation of that agreement so I thought I would begin my remarks on that topic.

It is often unappreciated that Canada and the United States have the largest bilateral trading relationship in the world, valued at some \$200 billion in 1989. We are each other's major customer. In Canada's case, over 70% of our exports go to the United States and Americans remain our major source of foreign investment. Given this unique economic relationship the Canadian government negotiated the FTA with the United States, the elements of which were agreed in October 1987, two and a half years ago.

I'm pleased to say implementation of the FTA has been proceeding smoothly since passage of the agreement into law. Canadians have been quick to seize opportunities offered by the agreement and have taken full advantage of the many government initiatives to make them aware of the changes in such matters as border procedures and certificates of origin.

My department has established various programs to assist Canadian business to export to the U.S. market. For example, we regularly support business missions of Canadian companies which want to export to the U.S. for the first time. We fund an on-going series of market studies which identify particular opportunities for Canadians. Canadian companies participated in over 400 trade fairs and missions in the U.S. last year with assistance from my Department. And the opening of satellite trade offices in San Juan, San Diego, Miami and Princeton earlier this year, now brings to 27 the number of offices we have available to service Canadian companies in the U.S.

An important and unique element of the FTA is the dispute settlement mechanism. A general system and a more specialized binational one to deal with anti-dumping and countervailing cases in an impartial manner has been created. To date a number of panels have been requested dealing with such cases as red raspberries, paving parts, salt cod fish and induction motors. The challenges on the first two items have been subsequently dismissed after hearings and in the case of the latter two the challenges have been withdrawn even before they had reached the hearing stage. One should note, moreover, that the vast majority of trade irritants will continue to be settled at the early, informal stages of the FTA dispute resolution process and about 99% of Canada-U.S. trade is dispute free.

The Canada-U.S. Trade Commission which oversees the operation of the FTA, has been established and is headed by U.S. Trade Representative, Carla Hills, and me. To date, Ambassador Hills and I have met three times in Washington, Ottawa and Toronto.

Working groups are being continually established as needs arise and those currently functioning are making progress in such areas as agriculture and fishing products, customs matters, tourism, services, subsidies and trade remedies. Some have already announced their preliminary results. Most encouraging to date, and indicative of the readiness of Canadian firms to compete, has been the enthusiastic response from the private sector to accelerated elimination of tariffs.

In fact, at the third meeting of the Canada-U.S. Trade Commission last week Ambassador Hills and I formally signed into effect an agreement to speed up elimination of bilateral tariffs on some 400 tariff items, covering approximately \$6 billion of two-way trade.

In keeping with industry requests, tariffs on most items were removed upon the implementation of the agreement on April 1 of this year. In some cases, tariff elimination will be advanced from the existing ten-year phase-out schedule to the five-year schedule.

A second round of tariff elimination acceleration has now been initiated.

So where does all this bring us? In the age of "instant gratification" it is not easy to please those seeking analyses of the impact of the FTA - it will be several years before the critical mass of data allows for a definitive assessment.

What I can tell you is that the basic indicators look good. Canada's gross domestic product is up 2.9%. This compares favourably with other industrialized countries. The unemployment rate is 7.2% -its lowest level since 1981.

Canada-U.S. Trade expanded by 4% during the first year of the Free Trade Agreement. Investment flows between the two countries are

also growing strongly. In 1989, gross inflows of foreign investment into Canada from the U.S. totalled over \$7 billion while gross outflows of Canadian direct investment to the U.S. was over \$6 billion.

Overall spending in 1990 by Canadian industry on plant and equipment is projected to rise 8.9% over 1989 according to the latest investment intentions survey.

And perhaps most important of all, Canadian firms are positioning themselves to compete in the post-FTA environment and a more dynamic, competitive industry is being created. With wider experience in the U.S. market under their belt they are casting their eyes to opportunities further afield, here in Europe and across the Pacific to Japan and Asia. And I am pleased to note that they are having success. For example, with respect to Japan we have developed an \$18.3 billion two-way trade, which grew by 25% the past 2 years and is almost in balance.

I know that when news of the Canada/United States Free Trade Agreement was first made known, some in Europe were concerned that this agreement would create a fortress North America---just as there have been those back home who spoke of the creation of a Fortress Europe as part of the European community's internal market initiative. I believe that these fears have been laid to rest and I am convinced that they are not well founded.

The agreement concentrates on bringing down barriers to trade and investment between Canada and the United States. It does this without in any way erecting barriers to other countries.

In fact, by bringing down those barriers, we have created even greater opportunities for investors in Canada because they will now have freer and more secure access to the North American market.

This means, for instance, that the Free Trade Agreement will enhance the profitability of existing Finnish operations in Canada, and substantially expand the scope for new investment as the FTA strengthens the Canadian economy. The agreement conforms with the GATT. For Canada this is a vital point.

Canada supports the reduction of protectionism in all its forms and we unequivocally support the successful conclusion of the GATT Uruguay Round talks.

The GATT talks are crucial to the fate of trading nations like ours because the interests of our exporters lie primarily in a healthy multilateral trading system, not in regional or unilateral initiatives.

I believe there is a growing realization of the historic opportunity the Uruguay Round presents. It is in expectation of a large and successful result that I recently proposed a strategy to tackle the institutional weaknesses of the GATT, leading to the creation of a world trade organization.

If we achieve the success we are seeking, I am convinced we must have an institution capable of maintaining and enhancing the multilateral trading system with a strong and effective dispute settlement process as its centrepiece.

I mentioned earlier the idea some have expressed that the world may be dividing into closed regional trading blocs. For my part, I do not believe trade liberalization on a regional or bilateral level is detrimental to the multilateral trading system so long as such arrangements conform with the GATT. On the contrary, I believe such arrangements are acting as a catalyst for more liberalized trade multilaterally. In my speeches in Canada, I stress to the Canadian business community the concept not of fortress Europe but, rather, of partner Europe.

Similarly, I urge you to think not of fortress North America but of partner Canada.

As part of our Going Global trade strategy, we are introducing an initiative to encourage the formation of strategic partnerships between Canadian and European companies.

Finnish companies forming partnerships with Canadian firms could benefit through enhanced understanding and penetration of the North American market while Canadian firms might benefit from Finnish expertise in the markets of both Eastern and Western Europe.

Canada can act for Finnish companies as a bridge, not only to North America but also to the markets of the Pacific Rim. It should be remembered that Canada borders on three oceans, and has natural trade links across two of them.

Finnish expertise in other markets could be of considerable benefit to Canadian companies. I note that as part of the trade mission, there will be a seminar Wednesday on Canada-Finland Corporate Cooperation to take advantage of business opportunities in the U.S.S.R.

The relative similarity of corporate size in Canada and Finland, suggests that there would be mutual advantage in pooling efforts to meet the challenge of growing competition in Europe and North America.

There are aggressive and capable Canadian firms from Vancouver to Montreal to St. John's, Newfoundland each with a high degree of expertise and advanced technology ready and eager to make a contribution here in Europe in cooperation with Finnish companies.

I have brought presidents and chief executive officers of 10 such Canadian companies with me. They provide products and services ranging from equipment and expertise related to cold weather environments, to air traffic control systems, to education software, to ambulances, to hockey equipment.

I hope that enterprising Finnish companies interested in the North American market will also give consideration to the special advantages which Canada offers as a place to establish operations.

There is a solid base to build on, but I firmly believe that now is the time for our companies to make a special effort to discover each other and make common cause to capitalize on the exciting new business opportunities emerging throughout the world.

Thank you.