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NOTES FOR AN ADDRESS BY THE
HONOURABLE ALLAN J. MACEachEN,
DEPUTY PRIME MINISTER AND
SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, TO THE
INAUGURAL CONFERENCE OF THE
INTERNATIONAL BUSINESS
RESEARCH CENTRE

TORONTO,
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MEETING THE GLOBAL CHALLENGE
THROUGH COOPERATION

I am delighted to have been asked to address your inaugural conference "Meeting the Global Challenge".

The theme of this conference is a vital and appropriate one for business and government today.

I compliment the International Business Research Centre (IBRC) on its choice of a theme and on its discussion of subjects such as "The Future of the Multilateral Trading System" and "The Challenges and Opportunities for Canadian Business in a Turbulent World". This Conference offers government and the private sector an excellent opportunity to exchange views. I am particularly pleased that the Department of External Affairs was able to assist in the establishment of the IBRC.

I want to focus on a central aspect of "Meeting the Global Challenge - the Management of the Recovery through Cooperation".

Let me first review with you the global economic outlook and then some of the activities which my ministerial colleagues and I have been undertaking - both with other governments and here at home - to meet the "Global Challenge".

In your sessions this morning, you have had an overview of the global outlook and discussions on the international trading and commercial systems. I believe the world economic situation is much improved. The international economic system has weathered the trauma of the recession and proved resilient in coping with severe strains. There have been a number of positive developments:

- the recovery of the North American economy has been well above average for the industrialized economies. The most recent OECD outlook projects 5% real growth for Canada and the United States in 1984, the highest of the Summit countries;
- there have been signs of improvement in the economies of Western Europe and Japan since the Williamsburg Summit in May last year;
- nominal interest rates have moved to much lower levels from their staggering peaks in 1981 and 1982;

- the risk to the international financial system arising from the debt crisis of developing countries has been contained and longer-term approaches are being explored;
- the open character of the world trading system has been largely preserved despite serious protectionist pressures; and
- world oil prices appear to be stable, at least for the moment.

There are, however, important challenges still facing business and government. These are:

- to encourage balanced and sustainable growth while ensuring that gains on inflation are consolidated;
- to encourage adequate flows of commercial and official financial resources to the indebted countries, in support of their own courageous adjustment efforts;
- to resist the threat of protectionism and to carry out essential adjustments of our industrial structures; and
- to seek every means to improve competitiveness and especially to encourage the development and rapid dissemination of advanced technology.

Many of these are of course familiar to you and represent important elements in your planning and marketing activities.

Take for instance markets outside North America, where growth will remain limited and uneven. We can expect only modest expansion this year in Western Europe and Japan and continued difficult conditions in the indebted and oil-exporting countries. This will limit our sales of goods and services into these major markets and influence the pace of economic recovery here at home. However, off-shore areas will remain vitally important to us over the longer term. Increased competition for these less buoyant markets underlines even more the need to improve our own competitiveness.

The United States' economy is expanding vigorously and we should do everything we can to exploit this vital and growing market for Canadian products and services.

However, a question mark remains over the sustainability of the American recovery. There are several factors at play. One is the projected U.S. budget deficits, which have both contributed to inflationary expectation and increased the risk of pressure on savings, thus helping to generate high real interest rates. These high real interest rates and an over-valued U.S. dollar are distorting the American recovery itself, punishing longer-term investment and the export industries. Such high real rates as they are transmitted to other countries, similarly affect investment and consumption patterns and raise questions about the sustainability of the recovery world-wide.

To overcome these difficulties, governments and their business sectors must work together to strengthen global macroeconomic trade and financial cooperation.

Canada's prosperity is directly dependent upon a healthy and growing world economy. Exports account for 30% of Canada's Gross National Product. We recognize the importance of an open and efficient world economy. We are working vigorously in many multilateral fora towards improved global management.

As you are aware, Canada has been very active in recent international discussions. These range from meetings such as the economic summits and the periodic gatherings of trade ministers of Canada, the U.S.A., Japan and the EC to the more formal GATT and OECD ministerial meetings as well as the annual IMF/World Bank meetings. In the past three years, I have had the opportunity to chair the IMF's Interim Committee and the first ministerial meeting of the GATT in nine years. These experiences have led me to conclude that it is only through mutual understanding, hard work and a sense of shared economic objectives that governments are able to resist rising protectionist pressures and sustain the recovery.

An example of these international meetings are the yearly Economic Summits in which the seven major western industrial countries participate. I have attended several summits, including the Williamsburg Summit in May last year. There, the industrialized nations of the world met and agreed upon policies and actions aimed at ensuring that recovery materializes. Some of these actions are:

- to pursue appropriate monetary and budgetary policies conducive to lowering inflation, reducing interest rates, increasing productive investment and stimulating greater employment;

- to define the conditions for improving the international monetary system;
- to halt protectionism and reverse it by dismantling trade barriers;
- to maintain the strategy for dealing with the debt situation involving more open markets, effective adjustment by debtors, an adequate flow of financing and worldwide economic recovery;
- to give attention to the flow of resources to the developing countries;
- to work for more predictability and less volatility in oil prices by conserving energy, developing alternative sources and improving where possible producer-consumer contacts; and
- to encourage the development of advanced technology.

I have been particularly concerned about the readiness of governments to take pledges against protectionism at the GATT, the OECD and the Summit and proceed as if these words had no meaning. Consequently I was pleased that last year's Summit agreed to a Canadian initiative to monitor how well governments lived up to their anti-protectionist pledges.

Our commitment to cooperation and to strengthening the world economy is further demonstrated by Canada's participation in informal meetings of Trade Ministers of Canada, the U.S.A., Japan and the EC. My colleague, the Honourable Gerald Regan, will attend the next such meeting in Florida on February 3-5. The main purpose for these meetings of selected trade ministers is to exchange views and coordinate action designed to halt protectionism and reverse it by dismantling barriers to trade.

Canada has been instrumental in urging rapid implementation of the work program for the GATT, which was agreed at the 1982 Ministerial Meeting which I chaired. This program is designed to address a range of issues such as trade in agriculture and the development of an international agreement on safeguards, trade in resource products and trade in services.

An essential task in strengthening the world economic system is to halt protectionism and reverse it as economic recovery proceeds. Generating a renewed commitment and sense of movement in this direction might be accomplished by advancing the implementation of agreed Tokyo Round tariff reductions, as well as agreeing to a notification system on "grey area" safeguard measures.

Consultation has always been a key factor in policy formulation. This Conference is an excellent forum for further consultation and cooperation in a Canadian context. Let me say a few words on another international conference, with which many of you may not yet be familiar, the Davos Symposium, which I will be attending tomorrow in Switzerland.

Since 1970, the Symposium has been an annual get-together for some five hundred chief executive officers of medium and large multinational and national corporations. I am pleased that 17 chief executive officers of Canadian companies will be representing Canada in this gathering this year.

The Davos Symposium provides a unique forum where business leaders from all over the world meet with key decision-makers in governments and international institutions. This year the Government of Canada received an invitation to attend as a featured country for the conference discussions in the context of the overall theme of "Managing the Recovery".

With this theme in mind, the objective of the official Canadian delegation will be to promote a favourable impression of Canada as a stable trade partner with a strong, resurgent economy and as a secure place to invest. Our discussions will emphasize Canada as a resource rich country with high potential, particularly in the areas of new technology, energy and sophisticated services. I also expect that Davos will be an excellent opportunity for Canadian business and government officials to have frank discussions with their counterparts on problems affecting the international trade and financial system.

Here in Canada we have undertaken a number of initiatives which I believe underscore our concern with managing the economic recovery.

The Speech From the Throne highlighted the government's commitment to an aggressive trade drive. To spur this export-led growth, a number of policy initiatives have been proposed. These include:

- the expansion of the scope of the successful Program for Export Market Development (PEMD) to enhance the overseas activities of service industries and private trading companies;
- the provision of encouragement and assistance to Canadian subsidiaries of multinational corporations pursuing world product mandates through direct funding;
- the establishment of the Asia Pacific Foundation of Canada to promote Canada as a Pacific Rim Country; and
- an examination of the desirability and feasibility of limited sectoral free trade agreements with the U.S.A. in such areas as petrochemicals, textiles and urban transportation equipment, to expand business opportunities and improve relations with our largest trading partner.

My colleague, the Honourable Gerald Regan, Minister of International Trade, has taken the initiative to establish a Trading House Task Force to assess the Canadian private trading house sector. We are particularly pleased that Mr. Tom Burns, retiring President of the Canadian Export Association, will chair the task force and look forward to the task force's report on ways to strengthen the private trading house sector's capacity to support Canadian exports.

Some of you may be familiar with the recent surtax placed by Canada on certain specialty steel products imported from the United States. This step is being taken pending action by the U.S.A. government to provide compensation to Canada for measures taken last July to restrict imports of specialty steel. The surtax takes the form of increased duties ranging up to 7.7% on imports of certain U.S.A. origin specialty steel.

This surtax demonstrates that Canada is prepared to exercise vigorously her rights under international trade agreements and indicates the government's commitment to a more open and disciplined world trading system.

I would like to comment briefly on my Department. The reorganization of the new Department of External Affairs is complete. You now have in the Department of External Affairs a group of highly qualified trade and economic officials who will complement the

department's traditional strengths in the foreign policy domain. These specialists are now organized on a more rational geographic and functional basis and are ready to assist you with any problems that you may encounter in your international ventures, be they on international financing requirements, customs regulations, an assessment of political stability or the outlook for economic activity in any specific market.

You will also be interested to know that within the Department, there is an International Trade Development Branch, which incorporates officials with industry sector experience in the Grains Marketing, the marketing of agriculture, fish and food products, the high technology and defence products as well as the manufacturing and primary industries areas. The concentration of such marketing sector expertise in Canada's new Department of External Affairs is a radical departure in the organization of the Canadian government and reflects the high priority afforded to trade matters.

To reinforce the linkage between industrial development and trade promotion, my officials work closely with the industry and regional specialists of the Department of Regional Industrial Expansion in Ottawa and in their offices located across Canada.

In addition to the services available through the Offices of the Department of Regional Industrial Expansion on a decentralized basis, a Trade Information Centre has been established within External Affairs in Ottawa. This Centre, which provides information on the full range of export services provided by the government to exporters and potential exporters, is symbolic of our responsive service orientation to the needs of the Canadian industry.

I am pleased to say that Dr. Sylvia Ostry has now joined the Department as our new Deputy Minister for International Trade and Coordinator of International Economic Relations. We will draw on her international economic experience to assist in the formulation of policies which incorporate and give further expression to the importance of international trade in Canada's economy. Dr. Ostry will also accompany me to the Davos Symposium.

In closing, I believe that conferences such as the one today develop a better understanding of the challenges facing the world and lead to greater cooperation in solving some of the problems facing us today.

I commend the IBRC for its excellent program. I thank you for the opportunity to speak on what the government is doing to meet the global challenge.