

STATEMENT DISCOURS

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NOTES FOR AN ADDRESS
BY

THE HONOURABLE JAMES KELLEHER,
MINISTER FOR INTERNATIONAL TRADE,
TO THE

WORLD TRADE CONFERENCE

CHICAGO,

APRIL 18, 1985

I am honoured to be here at the World Trade Conference, and I am delighted to follow the Montreal Expos into Chicago. Not because the Cubs won two out of three. I suppose it's partly because of the symbolism: baseball teams have always been dedicated traders.

In keeping with the theme of this conference, I am privileged to bring you greetings from a Pacific Rim country -- Canada. And I might note in passing that back in 1673, when Louis Jolliet and Jacques Marquette came down from what is now Canada and first set foot here, what they were looking for was a shipping route to the Pacific. They didn't find it, of course. When they found out that the Mississippi ran into the Gulf of Mexico, rather than the Gulf of California, they turned back in disgust.

Be that as it may, I also bring you greetings from the country which is by far your largest trading partner, anywhere in the world, including the Pacific. Rumours to the contrary notwithstanding, we're again talking Canada. And I can go one step further by bringing you greetings from your second-largest customer, which is the province of Ontario. It is second only to Canada.

Back in the roaring twenties, one of your citizens, a fellow named Al Capone, was asked what he thought of Canada. I don't know why anybody would ask him that, but they did, and his answer has been recorded in history. "Canada?" he said. "What's that? I don't even know what street it's on".

Mr. Capone may not have known, but the fact is that Canada is your closest partner -- and you are ours -- in almost everything either of us does. The depth and breadth of our relationship is not only remarkable, it is unique in the world. And yet it has been around so long that it usually goes un-remarked. We take it for granted. Whatever street it's on.

But consider:

We work together in space, we work together in defence.

You have more money invested in Canada than anywhere else; we have more money in the States than anywhere else -- three times as much as does Japan, for example. And in fact, our investments here average out to more than \$1,000 for every man, woman and child in Canada.

Here in the Great Lakes area, you ship your exports abroad down the Saint Lawrence Seaway. Back where I come from, which is Sault Ste. Marie, those of us with any sense export ourselves to Florida for at least part of the winter.

Oh yes, the winter. We send you our Arctic cold fronts, slightly moderated on the trip south. You repay us in used rainstorms from the Gulf of Mexico.

Our continental commonality is everywhere around us. Your hockey is ours, our baseball is yours, and football belongs to both of us: the first college football game on record was between Harvard and McGill. And who does Peter Jennings belong to? Or Doonesbury? Or Donald Sutherland, or William Shatner, or Lorne Greene, or America's sweetheart, Mary Pickford? And where would the Lone Ranger be without his faithful companion, Toronto?

And so on and so on, into the purple sage. The point is that our peoples have so much in common -- in culture, in business, in family ties -- that it's hard for us to think of each other as foreigners. We do have our differences, but I think it's significant that the line on the map that divides us is now sometimes referred to as The World's Longest Undefended Platitude.

And yet, as you know, there have been ups and downs between us. Most of our differences are minor and temporary, the inevitable abrasions that come from our proximity and the sheer volume of business that goes on every day between us. But there have been real "downs", and they have usually been caused by the politicians.

You had "54-40 or fight", for example, and we had "no truck nor trade with the Yankees." More recently, you had the Nixon Doctrine and we had the "Third Option" -- an attempt by the previous government to move Canada away from the United States.

The attempt didn't work, of course. Business kept growing despite the Third Option, to the point where you now take three-quarters of our merchandise exports. But the Third Option ushered in a period of some suspicion across the border, and it was followed by such nationalist creations as the Foreign Investment Review Agency (better known as FIRA) and the National Energy Program.

I'm here to tell you that we have put that period behind us.

The government which is now in office, and which I represent, was elected with a record majority in Parliament. A lot of things contributed to the size of our landslide, but one of them was a commitment by Brian Mulroney to restoring and refurbishing our relations with the United States. The Prime Minister strongly believes that enhancing the economic relationship with the U.S. is vital to Canada's interests. The public opinion polls, by the way, show the people of Canada agree with him.

So we're moving, and I believe rather quickly, to revitalize our relationship. We're scuppering the National Energy Program, replacing it with measures that will encourage exploration and production again. We're doing away with FIRA, creating in its place Investment Canada, an agency designed to encourage -- indeed, to go looking for -- new investment in Canada.

And then there was last month's Shamrock Summit, between Prime Minister Mulroney and President Reagan, in Quebec City. Without any doubt, the Quebec Summit was one of the most substantive Canada-U.S. meetings ever held. It dealt with a wide range of issues, including acid rain and a new defence agreement, but what is perhaps most important to those of us here, it broke new ground directly relevant to the economic interests of the private sectors in both Canada and the United States.

Let me quote briefly from the joint declaration on trade, which opens with the following sentence: "We embark today on a joint effort to establish a climate of greater predictability and confidence for Canadians and Americans alike to plan, invest, grow and compete more effectively with one another and in the global market."

The trade declaration is of great significance to both our countries. It really has three parts to it. First, an agreement on the immediate resolution of a number of outstanding irritants -- including U.S. marking requirements on steel pipes and Canadian taxes on tourist literature.

Second, the Trade Ministers of both countries were charged with devising a bilateral mechanism to chart ways to reduce or eliminate existing barriers to trade between us. We have been asked to report our recommendations within six months, and in that regard I can report that I have had a very pleasant and encouraging meeting this morning with Clayton Yeutter, who as you know has been nominated to take over the post of U.S. Trade Representative.

Third, a comprehensive work plan over the next year to resolve a wide range of specific impediments to increased trade. One of the major areas here is the so-called "Buy America" or "Buy Canada" provisions to procurement programs.

There are good reasons for such policies, including the need to provide employment to specific sectors of the population -- such as the inner city minorities in the States and the negative growth regions in some Canadian provinces. Yet both countries have learned in the past 20 years or so that there are all sorts of hidden costs in such artificial purchasing policies, including inefficiency and resistance to change. What we intend to do is to see whether government procurement might be better designed.

But we in Canada also have a longer-range program going. It is a program intended to allow us to secure and enhance our access to export markets throughout the world, but with specific emphasis on the United States. We started it up back in January by publishing a discussion paper on the options open to us, and I am now in the middle of a cross-Canada tour of consultations with business and labour primarily, but also with consumer groups and academics.

Let me talk for a moment about the importance of this issue to Canada.

Few nations in the world are as dependent on trade as we are. Nearly 30% of our national income comes from exports -- as compared to about 10% in the U.S. But there are growing threats to our trade. The forces of protectionism are alive in every country, and they are becoming very strong now in the United States. Under the General Agreement on Tariffs and Trade (or the GATT), the world's trading nations have been trying to get their act together for 40 years -- and through seven rounds of multilateral trade negotiations. But for every tariff barrier that comes down under the GATT, another kind of barrier goes up. A quota here, a voluntary restraint agreement there, a change in regulations somewhere else -- whatever will protect local industries that can't quite compete. I sometimes think that man reserves his greatest creativity for building new kinds of walls.

Aside from outright trade barriers, we face other problems as well. World production has tripled in the past 40 years, and a lot of the new production is coming from countries in the Pacific Rim and elsewhere which have been successfully building their industries. There is, in other words, a lot

more competition out there in the market than there ever has been before. There have also been fundamental changes in the market, in what people want to buy. Plastics are up, base metals are down. High technology is sweeping the world.

What we are facing, indeed, has been referred to as a "collection of revolutions coming together." We in North America are in the midst of what may be the most fundamental transition of our history -- a transition rooted in technology but involving almost everything that touches our lives: our energy base, our financial system, our industrial structure, our employment structure, our family structure, the way we communicate and our framework of beliefs.

This is too much to cope with all at once, but we can at least try to tackle it piece by piece. What we in Canada are wrestling with is opening up our economy, to make it more competitive, more attractive to investment, and to provide more jobs.

Trade is obviously a very big part of that opening, because trade is such a big part of our business.

The discussion paper we are now working with breaks down our external challenges into two parts. The first deals with the GATT, and fully supports the initiatives being taken by the United States towards beginning yet another round of multilateral negotiations. The GATT remains the cornerstone of our trade policy. Without it, it would be very difficult to maintain even the semblance of an orderly international trading policy.

At the same time, however, we must pay particular attention to our bilateral trade with the United States, and the paper sets out four possible courses.

We could try to go along under the status quo, despite the protectionism that seems to be rising with your dollar.

Or we could try to negotiate arrangements limited in scope to particular sectors, or to particular types of non-tariff barriers.

Or we could negotiate a framework agreement, which would commit the two governments politically to objectives and mechanisms for the removal of trade barriers and the settlement of bilateral disputes.

Or finally, we could try to negotiate a comprehensive trade agreement with the U.S., one which might involve most of the trade passing both ways between us.

In issuing the discussion paper, the government made no prejudgment on which of the four strategies would be the wisest and most appropriate for Canada, and we are not yet far enough along in our consultation process for me to try to predict which one Canadians will choose. I can say one thing, however, and that is that wherever we have gone we have found intense interest in arriving at some sort of agreement that will keep our trade open with the States.

Whichever course we choose, I believe we will find a receptive negotiating table in the U.S. Our American counterparts have told us, and I certainly have no reason to doubt them, that they are as interested as we are in strengthening our trade relationship.

So we are proceeding at what I would call "full speed ahead". Our consultations will continue into early May, after which we will try to digest what we have heard and then discuss our findings with the governments of Canada's ten provinces. By sometime in June, I hope and expect to be able to put forward my recommendations to Cabinet.

Let me make a final observation. We are not just talking in the wind up in Canada. Our Prime Minister, and our government, are absolutely committed to give meaning and substance to the new era in our relations that was evident, in word and deed, in Quebec City. In New York in December, the Prime Minister told the Economic Club that "Canada is open for business." Here in Chicago in April, I can tell you something else. Canada means business.

Thank you.