

# STATEMENT DISCOURS

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Notes for Remarks by the  
Honourable James Kelleher,  
Minister for International  
Trade, to the Empire Club

TORONTO, ONTARIO  
February 27, 1986.



I am genuinely delighted to have this opportunity to speak with you about yesterday's budget, and the role it plays within the broad and focused plan for economic renewal and national reconciliation that has been our Government's mission since September the 4th, 1984.

I would also like to talk to you about our Government's commitment to restore the economic vitality in our country. And as you know, one of the most important instruments at hand is expanding our international trade.

But first the Budget.

Yesterday my colleague, the Minister of Finance helped move this country one significant step further along the road towards the kind of economic renewal and prosperity to which our administration committed itself within two months of the election victory of September '84. Last night's budget is a clear beacon to all those who believe that economic growth, rather than runaway public spending and deficits, holds the key to the continued financing of social programs in our society.

The message conveyed by the Minister of Finance yesterday was as simple as it was serious -- Canadians can no longer afford to finance their public services along the lines pursued by previous administrations. As recent events in the international money markets clearly demonstrated, the deficits compiled by the Federal Government in the past two decades constitute a real and considerable threat to the economic well-being of our country and our fellow citizens. The Government of which I am proud to be a part has begun the long overdue process of coming to grips with this legacy of waste and irresponsibility compiled by our predecessors.

When we came to office, the Prime Minister undertook to cut the deficit, reduce government spending and boost the level of employment in Canada. In the past 16 months we have delivered on those pledges. We held the deficit for last year to our stated objective. We initiated a number of measures resulting in reductions in public expenditures and we saw the creation of 580,000 new jobs during this same period. In short, we told the people of Canada what we would endeavour to accomplish, and unlike previous Governments in this regard -- we did what we said we would do.

Yesterday the Minister of Finance continued this process of informing Canadians on the state of our public indebtedness. Quite simply, Canadians are being asked to help in financing their way out of an extremely serious situation produced by former administrations. The budget proposes one of the most significant programs of expenditure control ever undertaken by the Government of Canada. It initiates considerable reform of the taxation system and plans a 14% reduction in the current deficit. That deficit will be under the \$30 billion figure.

From the perspective of my own portfolio, that of international trade, the return to a sound fiscal environment, reform of the corporate income tax and the promotion of competitiveness and efficiency will assist us in meeting our objectives in the international marketplace.

And even though the restoration of fiscal responsibility in Canada is a priority concern of the Budget, it must be noted that a number of progressive and beneficial programs were also unveiled by the Minister of Finance. These measures include the refundable sales tax credit, the

advanced payment of the child tax credit, the Farm Financial Assistance Policy, the Program for Older Worker Adjustment, a program to help social assistance recipients find employment, increased funding for cultural, R&D and job training programs.

The measures contained in the budget are also a beacon to those doing business in this country and those who wish to do business with this country that Canadians are determined to put their own economic house in order. It is a clear statement that we intend to moderate our collective debt load in this country. In this way we intend to free up funds that might otherwise be lost in debt servicing -- and the taxes essential to produce that servicing -- for economic growth, job creation, social programs and legitimate private sector investment.

This is a budget of courage and commitment. However we as a Government are confident it will be successful because we know that Canadians have the resolution and courage to make those tough decisions that make Canada a stronger and more dynamic country.

I stand before you today, in the context of the great traditions and history of this Empire Club, and cannot but reflect on where we would be as a nation if we had not had the courage in the past to seek changes in our international economic standing based upon a confirmed and resolute confidence in ourselves.

Let us remember that before the term empire meant anything else, it often meant 'trading empire'. My belief is that the future of Canada rests on becoming the Number One Trading Empire of the 21st Century. Therefore my Government is moving with the same kind of boldness which

allowed the British Empire to contribute mightily to the civilization of the world. One doesn't proceed to build a trading empire today by sending out bands of gentlemen adventurers (or 'gentleperson' adventurers). Free discussion has replaced free bootery; skilled negotiation must replace the skill at arms which formerly won trading empires.

This government is convinced that Canadians can take on the world confidently and successfully if they are supported by the proper framework of government policies. We think that our policies achieve that objective, particularly the major initiatives that we have undertaken on the trade policy front.

Let me now describe our government's approach to trade. To begin with, I will outline our trade policy objectives.

First, we must create the conditions for a strong, internationally competitive Canadian economy where investment, incomes, and jobs will steadily increase. Second, we must develop a competitive economy within a system of internationally agreed-upon rules and accepted codes of behaviour. Our exports must be both expanded and secured if we are to enjoy the growth and prosperity that Canadians expect. Our access to markets must be expanded, to give our exporters of goods and services the means to improve their competitiveness as the Europeans did in forming the European Community a quarter-century ago. And our markets must be secured as well to protect the access that we have already successfully achieved from the new forms of protectionism that could cost Canadians jobs. It is that simple.

We will achieve these objectives by

negotiating better and more open access to markets in other countries in return for improved access to ours. We shall also do so by agreeing collectively, as sovereign nations, to put into place arrangements to bind the behaviour of each and every one of us. In so doing, we shall all stand to gain as we shall create a more stable, predictable environment in which investors, traders and consumers will have confidence that what is done today will not be undone tomorrow, next month, next year, or three years from now.

To achieve this, as you know, the Government of Canada is simultaneously undertaking an unprecedented set of two major trade negotiations. We are preparing to enter into negotiations with our principal trading partner, the United States, for the purpose of substantially freeing up the restraints on international trade that still exist between us. At the same time, we are actively preparing -- in conjunction with our trading partners around the world -- for a major new round of global trade talks to further liberalize international trade and to improve, collectively, our respective trading practices. More precisely, we are pursuing a bilateral approach to achieving our trade policy objectives with the United States while simultaneously pursuing a multilateral approach to achieve our objectives with all our trading partners. As the Macdonald Commission, amongst others, pointed out in coming to precisely the same conclusion, these are not contradictory approaches: they are consistent and will be mutually reinforcing.

Let me explain why. Our bilateral initiative with the United States will, of course, involve our seeking the greatest benefit for Canada. To attain this, we will be negotiating on issues such as further tariff reduc-

tions between our two countries, less rigid government purchasing practices by both federal and provincial/state authorities, better understandings on the use of subsidies and countervailing duties, and improved arrangements with respect to the rapidly expanding services area.

However, our relationship with the United States also gives us very severe problems which no one, least of all those of us in this government, underestimate. Throughout this set of trade negotiations, we shall be balancing the opportunities that we see for Canadians, for all our regions, for all sectors, against the costs. If it's not a good deal for all of Canada, then there will be no deal.

While undertaking this major bilateral initiative with our large neighbour, this government has been in the forefront of those nations pushing for a new round of global trade talks. These are now approaching rapidly. The multilateral trading system, in which the majority of countries around the world agree to certain disciplines and rules over their own trading behaviour in exchange for similar behaviour on the part of others, is the cornerstone of Canada's trade policy. It has been so in the past, and will continue to be so in the future.

Our challenge, as Canadians and as a major trading country, is to ensure that enough countries remain committed to the open trade system that our export opportunities in those areas of the world where we trade, or where we wish to trade, are secured and expanded. We also want to have a say about when and what trade issues are discussed and what the ultimate rules that will govern our trading relationships with others, and theirs with us, will be.

Our trade negotiations strategy for both the bilateral and multilateral talks is to get our objectives right, to assess what foreign barriers to our trade exist, and in what order we should attack them, and to decide over the next months and years when and how and in what forum to negotiate each issue. That is why in terms of the Canada/U.S. initiative we have an absolute necessity to tie down our Number One customer first. Secondly, by moving now as we have done, there is sufficient time for thorough negotiation with the U.S. and detailed discussion at home throughout the process.

Continuing to manage this process well requires close, continuing, and intensive consultation with the provinces, the private sector and labour. I and other Ministers in this government will be spending a great deal of time on this since it is a process in which we firmly and very deeply believe. We accept the notion that Canadians are partners in this enterprise together. We are building the foundations of an economically renewed Canada into the next century and we want to do it together.

We will be seeking to maximize Canada's advantage without harming the interests of our trading partners. We have assured our GATT partners together and individually that Canada will adhere scrupulously to our international obligations. It will also mean that we will be sensitive to the trade interest of all our trading partners.

Our over-riding purpose will be to maximize the growth of trade with all countries. A strengthened, more efficient Canadian economy will help us achieve our longer-term economic and social goals as Canadians. As the member states of the European Communities found as they liberalized

trade barriers amongst themselves, we shall be able to participate in more markets, with a larger production of goods and services, and with more effectiveness than ever before.

Success in securing a new trade arrangement with the United States will help us in penetrating other markets as these countries become even more interested in our market. Our trade dependence on the United States might even diminish in the longer term, as Ireland found out with respect to its trade with the United Kingdom following its entry into the European Community. Investors and others will also find Canada a more attractive place with which to trade and invest as we create a more efficient economy with higher incomes. Our interests and our claims will be taken even more seriously in the councils of the world and in corporate boardrooms. A new perspective and dynamism will be brought to bear on Canadians, and others, deciding to invest and to build in our country.

The Canadian people will judge us on the new opportunities that we successfully attain for Canada. We will expect the Opposition to focus on the benefits for Canada and not exclusively on the costs for Canada. There will be problems, we will recognize them, and we will deal with them sensitively, honestly, and openly. But this is not the time to focus only on the potential obstacles. It is time to move forward confidently and with vision.

The next century belongs to Canada. Canadians collectively will face a much better future, one in which it will be possible to prosper and grow, if we are successful in our goal to become the Number One Trading Nation. The stakes are high, and we need the support of all Canadians,

wherever they live and whatever they do. We need your continuing input throughout the challenging and intensive process that lies ahead. We need that sense of adventure that builds empires.