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SPEECH AT UNIVERISTY OF WESTERN ONTARIO BY
MINISTER JAMES KELLEHER

The Minister for International Trade, James Kelleher, today made the following points in a speech to the International Law and Business Association, Universty of Western Ontario, London (Ontario).

1- THE GOVERNMENT'S CRITICS:

- "The truth is that many of our most vocal critics just haven't done their homework. Their charges are backed by their emotions, not by studies and research. They have left the homework to us."

2- PRECEDENTS TO A CANADA-U.S. TRADE DEAL:

- "We signed a bilateral trade agreement with the U.S. in 1935, when trade wars were raging all around the world, and that agreement became the basis of the world trading system today. We also have the Auto Pact, and nobody's complaining about it."

3- INTERNATIONAL PRECEDENTS TO A CANADA-U.S. TRADE DEAL

- "There is plenty of international precedent for the success of bilateral trade agreements between neighbours of unequal size."

- "Not long ago, I led a trade mission to New Zealand and Australia, which have had a bilateral trade agreement for the past three years. Australians outnumber New Zealanders by about five to one, which makes New Zealand the hyperbolic mouse to Australia's hyperbolic, well, kangaroo."

- "But New Zealanders don't feel crushed. Quite the opposite. Their increased trade with Australia got their economy out of the doldrums. New Zealanders are so delighted with the agreement that they want to speed it up. They want to shorten the transition period provided for their industries to adjust. So, for that matter, do the Australians."

4- WE ARE NOT PUTTING ALL OUR EGGS IN ONE BASKET:

- "The Liberals know better than to say that."

- "We devote so much attention to the Americans because they are our biggest customer. They take three-quarters of all our exports. To put it in terms of jobs, the jobs of two million Canadians are directly dependent on the business we do with the States."

- "We are certainly not putting all our eggs in one basket. We're out pounding the streets everywhere in the world, promoting our trade. In the same paper that we listed bilateral trade talks as an option to consider, we also made it plain that expanding our global trade under the GATT, was vital to Canada as well. At the same time that we proposed bilateral trade talks with the Americans, we also launched a major new trade initiative in the Pacific Rim. We opened a consulate in Osaka, Japan. We're sending four more trade commissioners to China and opening a consulate in Shanghai."

- "Next month, I will be going around the world on a trade mission which will take me to Singapore, Indonesia, Malaysia, Thailand and Hong Kong. In Southeast Asia, my principal mission will be to help open doors for Canadian businesses that want to do more business there. But on the same mission I will also be going to London, for a strategy session with our trade commissioners all over Western Europe to discuss ways to increase our trade in that vital area."

5- WHAT ABOUT THE GATT:

- "Canada has played a leading role in getting the trading nations of the world to start another round of multilateral negotiations to bring down more of the existing barriers to trade."
- "The GATT is vital to the maintenance of an orderly trading system throughout the world, and it has brought real gains in attacking trade barriers. It has been, and will remain, the cornerstone of our trading policy."
- "But the GATT must take the needs and aspirations of a hundred nations into account, and so its progress is necessarily slow. Each GATT round takes years to negotiate, and the results are always a compromise. By itself, the GATT is no longer sufficient to address the needs of a bilateral trading relationship as extensive, dynamic and complex as the one between Canada and the United States."
- "The negotiations with the U.S. will complement, not contradict, our commitments to the GATT and our negotiations in the next GATT round."
- "If Canada and the United States could lead the way, if we could show the rest of the world that trade liberalization is to everyone's advantage, I believe it likely that the multilateral negotiations would yield better results -- that more barriers would come down faster throughout the world."

6- CANADIAN FIRMS ARE NOT TOO WEAK TO COMPETE WITH THE AMERICANS:

- "The assumption on which the question is based is that Canadian firms are not competitive and cannot become competitive. But the assumption is demonstrably false. Since the Second World War, large segments of the Canadian economy have been opened to foreign competition by successive GATT rounds."

- "The historical response of the average Canadian firm has been to become more efficient, not to disappear. Most domestic firms have reacted to competition by specializing in fewer product lines, increasing the scale of production and generating more exports to sell that production. As a result, both imports and exports have grown. In 1960, for example, our exports accounted for only 12 percent of our national income. Today, they are closer to 30 percent."

7- WHAT ABOUT U.S. SUBSIDIARIES AND BRANCH PLANTS IN CANADA:

- "Branch plants haven't pulled out so far -- despite 40 years of progressive tariff reductions."

- "High tariffs are not the main reason for establishing subsidiaries. Survey after survey of multinational enterprises' investment intentions for Canada show that what count most are proximity to customers, market potential, market access, quality of the labour force and return on investment, while tariff and non tariff barriers are of secondary importance. Research on the behaviour of foreign owned firms shows that when faced with lower trade barriers, their preferred reaction has been specialization to serve larger markets, rather than plant closures. After all, scrapping of operations is a very costly alternative. You can't pick up your plant and move it."

8- WHAT ABOUT JOBS?:

- "All major studies on the impact of trade liberalization show labour as the main beneficiary -- through more jobs and higher real wages."

- "Simulations performed by the Ontario Economic Council indicate that with trade liberalization, trade flows between Canada and the U.S. would almost double. And a study by Infometrica Limited indicates trade liberalization with the States could create a quarter of a million jobs in Canada."

9- CULTURAL SOVEREIGNTY AND SOCIAL PROGRAMS:

- "They will not only survive, they will thrive as never before."
- "Our cultural sovereignty is not negotiable. Our social programs are not negotiable. They are our business, and nobody else's."
- "In this country, our cultural sovereignty and social programs depend on our capacity to sustain economic growth. This is directly linked to our ability to trade, because trade increases our wealth. Only a strong economy can guarantee the cultural institutions that give us our unique Canadian identity. Only a strong economy will allow us to support our health care, our unemployment insurance programs, our regional equalization payments. If our economy were weak, our social programs would surely suffer and our cultural sovereignty would be less resilient. It is hard to maintain your pride when you have your hat in your hand."