

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS BY

THE HONOURABLE MICHAEL H. WILSON,

MINISTER OF INDUSTRY SCIENCE AND TECHNOLOGY

AND MINISTER FOR INTERNATIONAL TRADE,

AT A DINNER IN HONOUR OF THEIR EXCELLENCIES

MIGUEL ANGEL FEITO,

SECRETARY OF STATE FOR TRADE,

AND

ALVARO ESPINA,

SECRETARY OF STATE FOR INDUSTRY

MADRID, Spain
July 15, 1991

Secretaries Feito and Espina, Ambassador Loranger, honoured guests, ladies and gentlemen:

It is a great pleasure for me to be here this evening to share some thoughts with you on the nature and future of Canada-Spain relations.

Canadians are taught in school that the first person to circumnavigate the world was the Portuguese sailor Ferdinand Magellan. As Spaniards know, this is wrong. Magellan died on the trip and it was Juan Sebastian Elcano, a Spaniard, who led Magellan's fleet home. This is but one example of the lack of common knowledge we have about each other.

Elcano and his men were motivated by a Latin aphorism much in vogue at that time, "navigare necesse est," or "you have to travel." Some 470 years later, the saying is as true as ever. That is why I and the Canadian delegation are here, to see and experience at first hand what we've heard so much about: the renaissance of modern Spain. Our visit is to follow up on the contacts made last year when we welcomed President Gonzalez, Minister Aranzadi, President Cuevas of the Confederación Española de Organizaciones Empresariales (CEOE) (Spanish council of business leaders) and other senior Spanish officials to Canada.

While diplomatic relations between Canada and Spain were established only in 1953, a number of developments have brought Spain and Canada closer in recent years. We co-operate actively on the multilateral scene in international organizations such as the United Nations, the Organization for Economic Co-operation and Development (OECD), and the Conference on Security and Co-operation in Europe (CSCE) processes in common pursuit of a safer, more prosperous and peaceful world. And Spain has become increasingly involved in international affairs, through its membership in NATO and in the European Community.

Canada and Spain both served as coalition members in the recent Gulf conflict, and we have been pleased to work closely with Spain in UN peacekeeping efforts in Central America. Our common commitment to the principles of international justice and to world peace suggest that we will co-operate in the future whenever required.

Beyond the increasing contacts and co-operation in the multilateral arena, Canada is eager to expand and strengthen its bilateral relationship with Spain. Today, our countries face similar challenges. We have both recognized that if we are to preserve our well-earned prosperity we must adjust to the larger markets on our doorsteps. We must meet the challenge of improving our competitiveness and productivity. We must make the transition to a new era of knowledge-based high-technology industry as exemplified by the companies in my business delegation.

I note that our two-way trade virtually doubled during the past five years, reaching \$870 million in 1990. Canadian exports to Spain enjoyed solid growth due to significant sales of construction and communications equipment, Canadair water bombers, purebred cattle, fisheries and food products, and medical and health equipment. On the other hand, the strong Spanish peseta has had an adverse effect on Spain's exports to Canada. Canadian imports from Spain include footwear, fruit, vegetables, wine, motor vehicle parts, petroleum products and machined fittings. Unfortunately, despite strong efforts by the Spanish Institute of Foreign Trade, Spain's total exports to Canada declined from a record high in 1988 of over \$700 million to just under \$500 million last year. But whatever its ups and downs, our bilateral trade is nothing like what it could or should be.

With excellent growth prospects in both of our countries, we have a trading relationship that can only grow and that is relatively free of irritants. Spain offers a dynamic and growing economy, a strategic location, a rapidly modernizing transportation and telecommunications infrastructure and an efficient workforce eager to capitalize on Spain's special place in Europe. These factors, plus Spain's integration into the European "single market," are attracting Canadian traders and investors to view Spain as a southern gateway to the new Europe and as a promising country in which to do business.

Last year, delegations of senior Spanish executives visited Canada to explore joint venture opportunities in the environmental field and in television production and transmission. These are examples of recent efforts to increase economic co-operation. As a further step in that direction and in order to continue strengthening our relations, I have brought senior executives from seven Canadian companies and the Canadian Manufacturers' Association with me. They offer highly competitive products and services in aerospace and telecommunications -- sectors in which these firms are world leaders. I am certain there are many other wonderful opportunities to explore; in short, I believe that the potential for us to do business together is greater than at any time in our history.

I am not going to dwell on the one dark cloud in our otherwise bright relationship. But I would be remiss if I did not mention that the major problem Canada and Spain must tackle together is fisheries conservation in the Northwest Atlantic. This fishery has provided a livelihood and a way of life for communities on both sides of the Atlantic for 400 years. But modern fishing technology and overfishing, notably on Canada's Grand Banks by fleets from Spain and Portugal, have led to severe depletion of this vital resource. We have cut back many of our own quotas by more than half since 1985 in order to build up stocks. As a

result, over the last two years, more than 30 processing plants have been forced to close in Atlantic Canada where more than 4,000 jobs have been lost.

Canada would like to have a sound fisheries relationship with the European Community and its member states, and with Spain in particular. However, EC fishing fleets must be effectively controlled so that everyone can be confident that quota commitments will not be exceeded. Some progress has been made within the Northwest Atlantic Fisheries Organization (NAFO), and Canada has welcomed the extended presence of an EC inspection vessel in NAFO waters. But further improvements are necessary. EC Commissioner Marin has stated that the Community is committed to conservation of living marine resources, a commitment which President Gonzalez supports. We hope this commitment will become a reality.

Despite this problem, our co-operation with the European Community remains paramount. The EC is our second biggest market after the United States -- \$13 billion in 1990 -- and, with \$30 billion in direct investments in Canada, it is a crucial source of foreign investment and technology for us.

Canada and the EC recently adopted a Declaration of EC-Canada Relations, which was signed by Prime Ministers Andreotti and Mulroney in Rome last year. An important milestone in the development of Canada's political relations with the EC, the declaration opens doors for intensive efforts to exchange views and co-ordinate activity in a number of fields.

1992 will be a European year, but even more a Spanish year. The 25th Summer Olympics in Barcelona, Expo '92 in Seville, Madrid as Europe's cultural capital, and celebrations commemorating the 500th anniversary of Columbus's voyage to the Americas will focus the world's attention on your country, its people and its culture. During the six months of Expo '92, Spain will be discovered by visitors from all over the world. Canadians will be among them in large numbers.

As the minister responsible for Canada's participation in Expo '92, I am pleased to report that our plans are progressing rapidly. Across Canada, creative enterprises and the federal government together with Quebec, Ontario and British Columbia are putting the finishing touches on elements of the Canada pavilion. Reflecting the "discovery" theme of Expo '92, it will highlight our innovations in science and technology as well as the Canadian heritage, the people and the land.

The Canada pavilion will premiere new Canadian cinematic technology using a large-scale screen, 24 m by 34 m, and film shot and projected at 48 frames per second, twice the rate used to produce conventional film. Visitors will be treated to a

spectacular vision of Canada and its people through this Imax film presentation now being produced by the award-winning National Film Board of Canada.

Tonight, I also want to tell you about Canada's economic and political situation. I want you to know that Canada is well-positioned for sustained economic growth and that we possess the political will to keep our nation together and enter the next century more united and confident than we have ever been. We have some problems. We have some challenges. But we are not sweeping these aside. We are dealing with them. Our economy, like some others, has been in recession. But we have taken strong measures to improve our economic performance.

We believe that the key to economic recovery in Canada is to maintain lower interest rates. To achieve this, we have taken some concrete steps. We have set out clear, achievable inflation targets. We have put government finances on course towards a balanced budget, and we have severely restrained the operations of government.

We have a record of accomplishment in recent years. We abolished a manufacturing sales tax that was handicapping our exporters. We have re-oriented our unemployment insurance system towards retraining. We have updated our competition policy. We have deregulated energy and transportation and initiated reforms of financial institutions. We have opened our economy, transforming a foreign investment review agency into a foreign investment promotion agency. We have privatized or eliminated 24 government-owned companies, reduced the federal payroll by 90,000 employees and streamlined virtually every federal department and agency.

I am confident that our measures are working and that economic recovery is on the way. In addition to lower interest rates, we can look forward to declining inflation -- 3 per cent by the end of next year and 2 per cent in the following years. This will be a lower inflation rate than in the U.S., but not out of line with what we have been able to achieve for extended periods in the past. We also look forward to real growth in employment this year, more consumer spending, more personal disposable income and more housing starts -- in other words, stronger economic growth this year and next. There are already signs of this turnaround in recent economic statistics.

Of course, the most important measure we have taken in recent years to improve our economy has been our Free Trade Agreement (FTA) with the United States.

Freer trade is vital to economic renewal. Freer trade means more competition. Competition lowers prices for consumers and forces business and industry to rationalize. Economies of scale increase. Manufacturing costs decrease.

In 1988, just prior to the FTA, there was a net direct investment outflow from Canada of \$2.5 billion. In 1990, Canada enjoyed a record net direct investment inflow of \$4.3 billion. Our trade surplus with the U.S. increased from \$14 billion in 1988 to \$17 billion in 1990. Some of that export growth has been manufactured goods, such as electrical machinery and rolling stock, and high-tech products such as aerospace equipment and scientific and professional instruments.

Unfortunately, plant closures and job losses get more press than new investments and increased exports do. But the success stories of free trade are real. There will be more of them as our economy recovers from the recession, and they will provide the base for strong adaptable industrial sectors.

There are many Canadian companies set to benefit from the FTA as it continues to be phased in over the next eight years. Europeans who invest in Canada now can expect to be a part of the success story.

The same economic imperatives which led us to negotiate free trade with the United States have led us into new negotiations with the U.S. and Mexico to create a North American free trade area.

When complete, the North American free trade area will be a market of 360 million people, with a combined gross domestic product in excess of \$7 trillion. It will be a larger market than the EC. Trilateral trade already exceeds US\$250 billion annually. Trade liberalization on this scale will have an impact around the world. Among other benefits, North America will become a larger, stronger and more dynamic market for European goods and services.

Just as the 1992 program and the creation of a European economic area does not constitute a "Fortress Europe," the North American free trade area will not be a bloc closed to trade with others. Europeans who decide to trade with Canada can rest assured that our fundamental orientation towards global trade will remain. We cannot afford economic blocs. Our agreement with the United States, our negotiations with Mexico and our commitment to the General Agreement on Tariffs and Trade (GATT) and to the conclusion of the Uruguay Round are all evidence of our dedication to trade liberalization worldwide.

The North American Free Trade Agreement (NAFTA) is only one item on the Canadian government's trade and competitiveness agenda. We wish to advance Canada's interests wherever we find an opportunity to do so. We are continuing to work towards an early and comprehensive agreement in the Uruguay Round of GATT negotiations. The spirit of trade liberalization which inspired

the 1992 initiative must also reinvigorate the Uruguay Round negotiations. As a Pacific nation, we are intensifying our efforts in Asia and the Pacific. We are also a nation of the Americas and wish to be a full partner in development with the other countries in our hemisphere.

This was the central theme enunciated by the Prime Minister when he announced some 18 months ago Canada's decision to join the Organization of American States (OAS). That was just the beginning of a process to strengthen our ties throughout Ibero-America. South America and the Caribbean have long been important markets for Canada. Following liberalization measures throughout the region, new opportunities exist that Canadian firms could explore with Spanish companies. Canada and Spain can and should join hands in new partnerships to help bring economic prosperity to Ibero-America.

Having taken the necessary macro-economic measures to position Canada for sustained economic growth, the Government is focusing its attention on our competitive position in the world. We are going to take a hard look at our performance in training our workforce, in education, in research and technology, and in other areas, to ensure that our economic infrastructure is best suited to improving our competitiveness. We are increasing our efforts to identify and eliminate interprovincial barriers to trade. We are considering changes in the tax environment for pension plans to encourage a larger source of capital for equity investments.

We are looking to make fundamental changes in our society, so that enhancing our competitiveness becomes the rationale with which we approach education, training, and a broad range of economic and social policy issues. We will be looking for the co-operation of business, industry and labour.

Increased competitiveness and stronger economic growth are especially important at this moment in Canada's history. A strong economy will strengthen Canadians' belief in themselves. It will rekindle our pride, improve our outlook on the future and give us the confidence to renew our federation.

It was in this spirit of confidence and with a firm belief in the need to foster closer ties with Spain that I signed with Minister Aranzadi today a Joint Declaration on Industrial and Technological Co-operation and Investment. This declaration commits both governments to support public and private sector institutions in both countries as they develop joint initiatives in priority sectors.

Tomorrow, I will be engaging Senor de la Cruz, Secretary of State for Defence, in similar but more detailed discussions on specific opportunities for defence industrial co-operation. As attested by Bristol Aerospace's contract to upgrade Spanish fighter aircraft,

Spain's interest in CAL Corporation's Search and Rescue Satellite Technology and DSMA's high-performance wind-testing facility, this is a most promising field for collaboration.

The important changes taking place in our countries resulting from Europe 1992, the single market and the emerging Canada-U.S.-Mexico Free Trade Agreement suggest to me that the best road ahead for us to pursue in our bilateral relationship is through the formation of company-to-company links. By this I mean Spanish and Canadian companies co-operating through joint ventures, technology or know-how transfers, or other combinations of their forces in various forms of strategic alliances.

In closing, let me offer a final perspective on Canadian-Spanish relations. More and more, as modern Western nations, we are acting together with our international partners to achieve common goals on the basis of shared principles. In defence matters, in political matters, and in economic matters this is true. The same spirit of co-operation is also needed to apply the principle of sustained development in the management of fisheries resources in international waters. Both Canada and Spain are participants in historic changes on our respective sides of the Atlantic. As the quincentennial of Columbus's historic voyage approaches, let us resolve to share our visions and make the commitments necessary to join forces across the Atlantic to help each other face our respective challenges.

I would like to thank Secretaries of State Feito and Espina and their colleagues for the warm and gracious reception given to me on my first visit to Spain in my new portfolio. I believe we have reached agreement on a future course of action that will raise our trade, investment and technology exchanges to a much higher level.

Finally, I wish to propose a toast to the strengthening of relations between Spain and Canada, and to our future prosperity:

To the King and Queen of Spain, and to Canada!

Thank you very much.