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86/78

Speech by
the Honourable Pat Carney,
Minister for International Trade,
to the Canada-China Trade Council

Hotel Vancouver, VANCOUVER

December 12, 1986.

Canada

Mr. Chairman, ladies and gentlemen,

I would like to begin today by saying "thank you" to the Canada-China Trade Council - both for organizing this workshop on the China market and for giving me the opportunity to speak to all of you.

There are four messages which I bring to you today. The first is that our strategy for expanding trade relations with China is an integral part of the Mulroney Government's focus on improving the Canadian economy and creating more jobs for Canadians. The second is that we have established some major new tools to help you - the private sector - in China. We must now work together to ensure those tools are used most effectively. The third is that the market in China for B.C. remains exciting. The final message is that China is a tough market to penetrate but attention to some basic guidelines will help.

When my Government took power, we were determined to turn Canada's economy around. Canada is a trading nation and we naturally focussed on expanding international markets as the main engine of our economy.

We therefore undertook a series of discussions with the provinces and the private sector and have established the "National Trade Strategy". This strategy is a major plank in the Government's plan to revitalize Canada's economy. Its objective is to create more jobs in Canada by increasing Canada's success in the international marketplace. In order to accomplish this, we are taking steps to improve the competitiveness of Canadian firms and to expand and solidify our access to international markets.

As part of the strategy, we determined that we should focus our efforts on priority markets. The first of these is, of course, the United States as our largest trading partner. You are all aware of our intention to solidify and stabilize the environment for Canadian firms in our southern neighbour's market. The growing protectionist sentiment in the U.S. which we have seen recently makes it even more important that we succeed in our efforts with the United States. That is our first priority.

The expanding economies of the Pacific Rim represent the other priority focus of our trade strategy. Canada is a Pacific nation and we must look across that ocean for our future. In 1985, for the first time, Canada's total exports to the Asia/Pacific region were greater than those to West and East Europe combined. This trend continues in 1986 making Asia Pacific our second most important market area.

The Government's focus on the Asia/Pacific region is intended to reinforce and build on this trend. That fits naturally with my own inclination and commitment. The necessary resources and time of my department and myself will be devoted to this priority. I have recently returned from a visit to Japan, our largest trading partner in Asia and our second most important in the world.

China has also been chosen as a priority market within our national trade strategy. Why China? The reason is simple. China is our fifth largest export market in the world. In 1985, Canadian exports to China were \$1.3 billion. Our sales of manufactured end products to China in that one year increased by 500 per cent to \$150 million. In the first 9 months of 1986, although our total sales were down slightly, manufactured goods continue to increase.

More importantly, of all the countries seeking to ensure themselves a place in the Chinese market, Canada is the fifth largest supplier to that huge country. That's impressive but we can do better.

In the past few months, my Cabinet colleagues and I have worked hard to establish a better framework and to provide more tools for commercial success in China. We have expanded our contacts at the highest levels in both governments. Prime Minister Mulroney made a very successful visit to China last May. Chinese leaders told him Canada would be a preferred supplier. The Prime Minister opened important doors for many members of the Canada/China Trade Council.

I visited China as Minister of Energy Mines and Resources to further cooperation in the power and resources sectors. I intend to visit as Minister for International Trade in the spring of 1987 to open more doors and expand our successes in other fields.

This year we have hosted five Ministers from China - three of which made it a point to include British Columbia in their itinerary. These visits are important. A year ago I had the pleasure of hosting the Chinese Minister for water resources and electric power, Madame Qian (Chan) and to take her to Revelstoke. During that visit she chose Canada to complete the feasibility study for the world's largest hydroelectric project - a study in which B.C. Hydro is now involved as part of the Canadian consortium.

Incidentally, during that visit, Madame Qian provided some advice for Canadian firms which I would like to pass on to you. She told me that:

- Canadian firms do not appreciate the huge size of the Chinese market for power projects
- Canadians do not understand the cut-throat nature of international competition in China
- Canadian firms will not be able to sell to China without the support of the Canadian Government to put forward a Canadian team approach

She was talking about large power projects - but perhaps her advice applies in other sectors as well.

We have therefore taken a number of steps to encourage this team approach and to ensure competitive tools are available. My Department has opened a Consulate General in Shanghai and has doubled the trade staff in Beijing. Those of you who have been to Beijing will be delighted to hear the Commercial Division now has a new and larger office. We expect completion of a new Embassy in the next two years.

My Government decided to provide concessional financing for projects in China. On Nov. 21, I was able to announce that agreements had been signed with China for that purpose. You have heard the details from the Export Development Corporation this morning. Over \$1 billion on a blended basis is available through this new mechanism.

As the Prime Minister announced in China, the Canadian International Development Agency budget for China has been increased to \$200 million over the next five years. CIDA is now able to expand its program into the transportation and communication fields. A new and innovative technology cooperation program has been negotiated which will give Canadian firms a head start on priority projects with China.

We have concluded a double taxation agreement with China. Thanks to quick legislative action, that agreement will take effect on January 1, 1987.

As part of the National Trade Strategy, my department has funded studies, by Canadian firms, on projects in China where downstream benefits can create jobs in Canada. Some of these are already paying off with contracts in the hydroelectric and industrial fields.

We have put these tools in place to make Canada more competitive in China - and the emphasis is on competition. Our major competitors have similar tools already. We intend to be certain that Canadian firms are not disadvantaged in any way in China.

What has been done was necessary but not sufficient. It ensures that the door to China is as open to us as to others. We are fifth in China - and fifth has to try harder.

- to be more active in pursuing the market
- to have the right technology and product
- to offer the best price and quality

There is another requirement for success. We must work closely together. China sees Canada as one country. By cooperation and coordination we can put forward the united front that achieves success and that will make us fourth or higher in China. We must work together, the Federal Government, Provincial Governments and the private sector. By working together we can ensure that your marketing, your products, your technology combined with the tools I have described make a winning team.

In the Government we have ensured that the National Trade Strategy is reflected in a coordinated, team approach to China. The China working group, organized by my Department, is the main avenue for pursuing the Governments priority focus on China and implementing all the measures I have described earlier. This is the reason I am confident that my Department can work with you, using the resources and expertise of all government departments, to produce the winning team in China.

Is there anything to win? Has China not reduced its buying? What's in it for British Columbia firms? The answer is that now, more than ever, Western Canadian firms have opportunities in China.

It's true - China is no longer buying cars, refrigerators and radios. Instead, they are carefully husbanding their funds to obtain the technology and equipment that a developing country needs:

- to produce food
- to develop their natural resources
- to communicate
- to move people and products
- to produce energy

China represents a total potential market of \$40 billion per year. Those imports are heavily concentrated in capital goods and resource products for which Canada, and B.C. in particular, is world renowned. You will hear today about the successes in China of two firms, Seaboard Lumber and Cansulex. I have already mentioned B.C. Hydro which, by working with other Canadian firms and the Government, has assured its place in China. The Council of Forest Industries, in a very innovative project, is building a "model farmhouse" with a Chinese partner. This will be on display near Shanghai to wet the appetite of the recently prosperous Chinese farmers.

B.C. firms, with our support, are at this moment pursuing power projects on the Yangtze river, the agriculture and forestry sectors in Shanghai and southern China, port developments on the Pacific coast, railway and mass transit projects in Beijing and northern China, mining developments in the north. There is still more to do.

The best demonstration of China's need for British Columbia expertise, technology and products occurred recently. Despite their limited resources, China has invested \$95 million in a B.C. pulp and paper plant. Since China recognizes the benefits of working with British Columbia firms, surely it would be polite - a characteristic for which you are all justly famous - to respond.

How do you do it? Well, as I mentioned earlier, China is a difficult but not impossible market. The keys, as I have been told by experts, are preparation, approach, perseverance and patience:

- Do your homework in advance. Contact the Canada/China Trade Council and my Department. Don't waste time and money on poorly defined "exploratory missions".
- Try to understand in advance the interrelationship of Chinese organizations of interest to you. Find out where the decision making authority is.
- Use all the contacts you can. City and provincial "twinning" links have proven very helpful.
- Be willing, eager, to include existing Chinese capabilities and components in your bid. China is a huge country with extensive technical skills and they should be used.

- Be ready to make available some technology transfer and training. The Chinese are in a hurry to develop. Let's help them.

Not all the pressure is on you, of course. You have undoubtedly read of problems that foreign firms have been experiencing in China. You have heard that in 1986, for the first time since the door opened in 1978, the rate of foreign investment in China has declined. Some firms have given up and pulled out. That was a learning experience for China and they are concerned.

Two weeks ago the Assistant Minister for foreign economic relations and trade visited Ottawa. He told us that, in China, the cardinal rule is "first friendship - then profit".

We responded that, in Canada, we have a similar approach - "first trust, then profit". The Assistant Minister was obviously sensitive to the need for good business relationships for he then told us that China is taking measures to ensure that all foreign firms who invest in China will make a profit. That is clearly a step forward in mutual understanding.

That is my view of the potential for greater Canada/China trade relations. My Government continues to emphasize trade with China. Powerful tools are now available. The market is there. It remains, for those of you who are willing to make the commitment required to pursue a challenging and difficult market, to use those tools in the best possible way. At some point I want to be able to say that the successes of British Columbia firms have made us fourth in China. Working as a team, we can make it happen.

Lets do it.