



Statements and Speeches

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TOWARDS CLOSER RELATIONS WITH FRANCE

Notes for an Address by the Honourable James Kelleher, Minister for International Trade, to the France-Canada Chamber of Commerce, Paris, December 5, 1984.

...The Canada-France Chamber of Commerce is a cornerstone of the new spirit of co-operation between our two countries, a spirit that sprang directly from the visit to Canada last month of your Prime Minister, Mr. Fabius.

I know that Mr. Fabius was preceded by some of the members of this Chamber of Commerce, who made an extended visit to Canada — extended in distance, at least, since you went from one coast to the other and stopped in a total of nine cities. And your initiative is one of a great many that are now taking place between France and Canada. I had the honour of meeting yesterday with Mr. Jean Pineau, the co-chairman of the Canada-France Businessmen's Group that has been looking into areas in which we can expand our bilateral relations, and I am extremely encouraged by the report he has given me.

On the Canadian side, I am the second Cabinet minister to visit Paris within the past week. My colleague Robert de Cotret, the President of the Treasury Board, was here last week, conferring with people from the business community, and I believe he managed to meet with some of you.

It is not by chance that all this activity is taking place. Our two prime ministers, in their meetings last month, took the explicit decision to give what Mr. Fabius described as a "new impulse to our relations" — political, cultural and, of course, commercial.

The importance of that decision cannot be overstated. I would like to recall the words of my Prime Minister, Mr. Mulroney, at the state dinner honouring Prime Minister Fabius. "It is not enough to say that history and culture have forged indestructible bonds between us," Mr. Mulroney said. "We must give those traditional bonds life and translate them into realities of state."

And he continued: "Our two countries must walk together down the road to the growth that awaits us. This road must inevitably lead us through technological, scientific and economic exchange.... We will not achieve our common culture without an economic foundation and economic expansion. In this perspective, it is imperative that we strengthen our commercial relations."

I would like to explore with you today some of the avenues that I see towards strengthening our commercial relations. Before I do so, however, it may be appropriate to give you a sense of the priorities of the government I represent.

To put it in business terms, Canada is under new management. We have an overwhelming mandate for change, and what we are undertaking is a process of national renewal. We see three major areas that require our immediate attention.

The first thing we must do is to put our own fiscal house in order. Controlling the budget deficit will be

our priority this year and in the years to come. Our immediate goal is to reduce the deficit through reductions in expenditures rather than major tax increases. We are already making progress. A review of possible spending reductions and revenue recovery measures has already turned up ways to shave 12 per cent off the deficit projected for the next fiscal year. Our goal is to at least triple those savings by 1990.

Our second major challenge is to redefine the role of government so that it provides a better framework for growth and job creation. Government must not be an obstacle to business. It should afford a climate which stimulates change and innovation. We must move away from having too many of our industries over-regulated, and others over-protected not just from imports but from domestic competition. Programs designed to assist investment should not have the perverse effect of distorting it. Policies and programs should not send the wrong signals abroad — signals that Canada does not welcome foreign investment, particularly in the energy sector. Thus, our third major challenge is to establish a stable policy framework with proper incentives for investment and growth.

At the same time, it is essential to take action to ensure that the private sector can expand to provide durable growth and productive jobs. To do this, we will encourage enterprise in Canada. We will reduce the regulatory burden, not as an end in itself, but to release the creative energies of individuals and companies to experiment, to innovate and to produce better goods and services at lower prices.

In this respect, we will soon propose changes in both the Foreign Investment Review Agency and the National Energy Program, changes that will make Canada measurably more attractive to foreign investors. We intend to make Canada a better place to do business.

We also intend to increase the business we do outside of Canada. Trade is Canada's life-blood. Exports account for almost one-third of our national income. Some two million Canadians work in industries that directly or indirectly depend on exports. Yet our trade performance should be much better. One of the fundamental thrusts of this government will be to refurbish Canada's stature as a first-class world trader.

We also know that the goal of securing and improving access for Canadian products to foreign markets will not, of course, be achieved without responding to the interests which our trading partners have in equitable access to markets in Canada. Since Canada is the only major industrial country without unimpeded access to a market large enough to permit substantial economies of scale, we understand that.

There is an emerging international consensus in favour of a new round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT). These negotiations will provide an opportunity to reduce tariff barriers and to tighten discipline on the use of non-tariff measures. As economic summit partners, Canada and France together will need to examine the preparations necessary for a new round of GATT negotiations, and the opportunities such negotiations might present.

These are the global concerns of Canada's new government. Let me now apply them to our relations with our oldest trading partner, France.

The current state of our economic relationship is not fully satisfactory — not compared to the strength of our respective economies and the depth of our historical and cultural ties.

Our trade figures have not been particularly encouraging. Our two-way trade is expected to increase by one third in 1984, undoubtedly a reflection of the healthier state of our economies, but it should still fall short of \$2 billion (Cdn.).

The investment picture is brighter. France is the fourth largest investor in Canada, controlling assets worth \$6 billion. And this is growing. The recently announced investments by Pechiney and AMC/Renault by themselves will boost that figure to \$8 billion.

Businesses today realize that the expansion of trade patterns are linked to investment. We estimate that the Renault/AMC plant in Brampton, Ontario will in itself generate an extra \$300 million in sales of French goods in Canada. An investment of this magnitude also stimulates related investment in sub-contracting. This process results in job creation, a vital objective in both of our countries.

It has come to my attention that American and Japanese investment in France is growing. If we want to increase our share of European markets, including France, more Canadian firms will need to invest on this side of the Atlantic. The recent agreement between PetroCanada and the French Petroleum Institute is of course encouraging, but there is plenty of room for other initiatives. We could co-operate more in areas such as forestry and fisheries, for example.

Joint ventures with research and development potential for both partners is another promising avenue, and I would point here to the collaboration of Canadian and French companies in defence contract bidding.

Our respective business communities, in particular our small- and medium-size businessmen, have not so far fully realized the extent of the potential our national economies offer to each other. This is not, I suggest, entirely their fault.

In the past 15 years or so our two governments have spent an immoderate amount of time and energy in the management of the political relationship, perhaps at the expense of our mutual economic interests.

But that is now behind us. The meeting of our two prime ministers was the beginning of a new era in our relationship. It confirmed at the highest levels the importance that both governments attach to the strengthening of our economic co-operation. In this respect, there are a number of concrete steps we should begin at once to take.

First of all we should dedicate ourselves and the institutions we represent, whether public or private, to a better understanding of what our two countries really are. What are their respective economic and technological achievements? What are the implications of these achievements for enhanced co-operation?

This means more organized visits by economic decision-makers of both countries, more encounters between business people, particularly those in small- and medium-sized businesses. The visits organized through your Chamber are precisely what we need. I hope there will be many more of them, and that

they will result in profitable joint ventures. I should also pay tribute to the efforts of the Canada-France Businessmen's Group in the pursuit of these aims.

Another step should be the explicit dedication and commitment of our respective bureaucracies to attend to any difficulty, any irritant that pops up between us. We are friends. Let's talk. Let us resolve whatever impediments we may find in the pursuit of our common objectives, as friends would do, by talking them out frankly.

A third step should be to consider, as a matter of priority, how best to strengthen the role of institutions such as *La Chambre de Commerce France-Canada*, in order to maximize your impact throughout our vast country and among small- and medium-size businesses. In that perspective, the recent initiative taken by the *Chambre* to establish a number of regional delegations is much to be welcomed.

There are also a number of areas outside our purely bilateral concerns in which we could work more closely together. We should, for example, do whatever is necessary to combat the pressures of protectionism that threaten the world trading system. This means working together as members of the group of seven industrialized summit countries, and as members of the GATT.

We in Canada are also aware of France's growing interest in the countries of the Pacific. I need not point out that Canada is also a country of the Pacific. In 1986, we will host a major international transportation fair in Vancouver, our leading Pacific port. I am grateful for the decision of the French government to be represented at this fair. My government will be pleased to co-operate in bilateral activities relating to it.

You have no doubt heard of the importance our government has given to improving our relations with the United States. You may even be concerned about it. In my opinion, however, there is no reason for concern. Our approach to the United States will not be at the expense of our relations with France or our other trading partners. Indeed, closer relations with the United States can mean more opportunities for us to do business together. For example, we are re-equipping our armed forces; we are currently building six new frigates for our navy, we are evaluating proposals for a low level air defence of our bases in Germany, and there will be more requirements in the future. Firms that will be awarded contracts in this venture are those which invest adequately in Canada and assure a significant technology transfer. Moreover, firms established in Canada can also bid for defence requirements in the United States, thanks to our defence production sharing program with that country.

Finally when we talk about the expansion of economic bilateral co-operation we ought not to forget the potential of increased co-operation in the economic projects of third countries. I have asked my officials to examine the feasibility of closer co-operation in such ventures, and there appear to be many sectors in which Canadian-French co-operation would be well rewarded.

There is, in short, a great deal to be done to bring the commercial relations between France and Canada back up to a level consistent with our bonds of culture and family. There is much to be done, but we are now prepared to do it. Indeed, we are committed to do it.

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