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Speech by the
Right Honourable Joe Clark,
Secretary of State for
External Affairs, to the
Scarborough Chamber of Commerce
and the Chinese Business
Association of Scarborough
and North York

TORONTO

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We live in an age of mutually created prosperity and mutually created vulnerability - an age of accelerating interdependence.

The fact is that we cannot reduce our involvement with the rest of the world and maintain our standard of living. There is no place to hide in the global village.

The world's economies rely on each other as lenders and borrowers, as buyers and sellers, as investors and licensees. No nation, no matter how powerful, is an island unto itself. The United States trade situation is testimony to that fact. Who could have guessed a few years ago that the U.S. would be a net debtor country? That it would be importing twice as much as it was exporting.

As Canadians, we rely on investment and technologies from abroad to develop our resources. We depend on others to buy our wheat and our aircraft, our purebred cattle and our communications equipment. And we look to other countries for many of the remarkable products which have given us one of the highest standards of living in the world.

As long as we are efficient, productive and hard-working, we will be able to produce much more than we can consume. But we must export our surplus production to others to prosper.

We are up against some very stiff competition -- fair and unfair. Many other governments are heavily involved in protecting the economic interests of their industries, using tariffs, subsidies and restrictive regulations.

The agricultural subsidy battle between the United States and the European Community is an example of just how exaggerated such government involvement can become. Someone joked that the Europeans will soon be paying their farmers to grow wheat on the peaks of the Alps, but that is not that far from the truth. We all know recent blatant examples of American protectionism.

But interdependence is a lot more than exports and imports. The spread of multinational corporations has led to vast intra-corporate flows of components and technology -- and a real footrace for capital investment among national and local governments.

Other changes are upon us. Japan and Switzerland have shown that technological and human resources are coming to supplant natural resources as the key to economic strength and prosperity.

Scientific advances contributing to the "Green Revolution" have helped many nations to become self-sufficient in basic foods. Man-made materials have lessened the demand for many minerals. Leading

edge technologies have created new products and services at galloping rate, transforming world markets within the space of a few years.

Two years ago the Government issued a document entitled New Directions for Canada: An Agenda for Economic Renewal. That agenda was a comprehensive plan to build an internationally competitive economy.

We recognized that a more productive Federal-Provincial relationship was an essential precondition for national growth. We can hardly compete well abroad if we do not cooperate at home. This Government instituted annual conferences of first ministers, further meetings on our trade policy initiatives, and regular meetings of Federal and Provincial Trade Ministers throughout the year.

We have forged a medium term fiscal strategy - fiscal stability through control of government spending and deficit reduction. We have begun a comprehensive tax reform aimed at creating a fiscal framework favouring efficiency and fostering productive investment and export success. This government wants to encourage Canadian business to make decisions based more on signals from the marketplace and less on calculations of tax gimmicks.

We are pursuing regulatory reform in many sectors of the Canadian economy - from transportation through financial services to communications - as one more means of increasing our international competitiveness.

We now welcome and pursue foreign investment. We recognize its importance to job creation and technological innovation. The creation of Investment Canada signalled to potential investors that Canada is open for business.

In consultation with the Department of Regional Industrial Expansion and Investment Canada, my Department launched a \$10 million promotional campaign to foster productive foreign investment in Canada. We have appointed investment counsellors in London, Bonn, Paris, Tokyo and the United States.

To help Canadian firms acquire and adopt foreign technology, we have placed technology development officers in Tokyo, London, Bonn, Stockholm and several American cities.

The Government has completed a comprehensive review of export financing issues, focussing on improvements in services offered by the Export Development Corporation. These include procedural streamlining, new insurance facilities for small and medium-sized firms, and new agricultural insurance facilities.

As many of you know, the Government launched a national trade strategy in consultation with the provinces and the private

sector. This coordinated approach to export promotion combines three thrusts:

- enhanced access to world markets;
- improved Canadian competitiveness, and
- more effective international marketing.

A key to the success of the strategy lies in the targeting of specific priority countries, sectors, and export opportunities.

Our new search for trade and investment opportunities is truly global in scale - I have seen this on every continent in my travels of the last two years.

For example, in the Asia-Pacific region we have recently opened new trade offices in Shanghai, Osaka, Auckland and Bombay. My colleague, Minister for International Trade Pat Carney, will lead a mission to Japan at the end of this month, to open up new markets. The Prime Minister took our trade message personally to Japan, China and Korea this spring. I make it a practice to have Canadian entrepreneurs come with me to countries where they have potential trading or investment interests. In the most recent trip, more than twenty Canadian concerns were with me in South America, on my way to Punta Del Este to launch the new round of multilateral trade negotiations.

But trade policy, not export development, is the key to long-term market access. As you know, we have initiated a two-track trade policy strategy --- bilateral negotiations with the United States and multilateral negotiations under the GATT. In a world of change, it is imperative to pursue Canadian national interests wherever and whenever possible.

We are a leading player in the GATT, exercising our rights and carrying out our responsibilities. As a nation more dependent on international trade than most, we are absolutely committed to the Uruguay Round. But the agreements we will work to conclude there will not be able to protect all our interests. The United States buys almost 80% of all Canadian exports, and there is a tidal wave of protectionist feeling in that country. We are engaged in bilateral negotiations with the United States for only one reason: it is in Canada's vital national interest to do so.

Not to try would be irresponsible in this age of competition and protection. More than two million Canadian and two million American jobs depend on the trade between us. The relationship is simply too large, too complex and too interdependent not to try to make it work better.

Our multilateral and bilateral negotiating objectives are complementary. A bilateral trade agreement between us could have an important influence upon the multilateral negotiations.

Canada and the United States could provide a precedent for improved discipline on the whole new generation of impediments to trade which now affect all countries. Canada and the United States need new rules to govern the heavy two-way traffic between us. We owe it to ourselves to search for new areas of mutual benefit.

Canada is a trading nation. A little more than 30% of our gross national product comes from exports. And Ontario is a trading province. Exporting firms account for more than one-third of provincial output. About one in every five jobs in Ontario is dependent on successful international trade. In 1985, exports across Canada totalled \$4,870. per capita. In Ontario that same year, exports totalled \$6,525. per capita.

Canada and the United States are each other's largest trading partner by far. This year, trade in goods between us will exceed \$120 billion (U.S.). Add in services such as shipping, tourism, insurance and telecommunications and the amount rises to \$146 billion (U.S.). We must be assured of secure access to this market.

Fifty years ago, the United States was gripped by protectionism. Smoot-Hawley was passed, and insular U.S. policy dragged the world deeper into depression. That destructive pattern was broken by a bilateral agreement between MacKenzie King and President Roosevelt, in 1938, that was the beginning of liberalized trade between our two countries. That agreement became the basis of the GATT, just as an agreement now, between Canada and the United States, could break the new tide of American insularity, and thereby open new opportunities for a more liberal world trading system.

Now, naturally enough, some people approach these questions in fear. They think that in any negotiation Canada is going to be outsmarted. That attitude simply sells Canada short. We are too strong for that. This country can meet the best in the world and this country can beat the best in the world.

The real question isn't about what other countries are going to do to us. The real question is about what Canada can do for itself. This debate is a test of Canadian self-confidence. It is a test of Canadian maturity.

This is a strong, accomplished, confident country and we should act that way, because if we don't we put at risk the economic strength which will allow us to pursue distinctive Canadian goals and interests.

There is no question at all but that these initiatives involve a major step in Canada's growth as a nation. There is going to be controversy, but there is always controversy as a nation moves forward. Every reform is going to meet resistance from people who are comfortable with things as they were, or resistance from people who doubt the ability of Canada to stand on its own.

We have built our skills and our identity and our confidence. We live in the world, indeed we thrive in the world and the new opportunities in trade give us the chance to achieve new growth, create new jobs and continue to fortify and assert our distinctive identity. That is what we are here to do.