

# STATEMENT DISCOURS

MINISTER  
FOR  
INTERNATIONAL  
TRADE.

MINISTRE  
DU  
COMMERCE  
EXTÉRIEUR.



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NOTES FOR REMARKS BY  
THE HONOURABLE JAMES KELLEHER,  
MINISTER FOR INTERNATIONAL TRADE,  
TO THE CANADIAN MANUFACTURERS'  
ASSOCIATION

WESTIN HOTEL  
OTTAWA

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(Ladies and) Gentlemen:

It is an honour and a privilege for me to be here this evening. The C.M.A. represents one of the most vital, and certainly one of the liveliest, sectors of Canada's economy. Somebody has even told me that you share my interest in international trade.

I'm not here this evening to preach to the converted. Any group that sells 40% of its products abroad is well aware of the importance to Canada of being a successful trading nation. What I thought you might be interested in, however, are my impressions of the international trading environment, where we stand now as a trading nation, and what lies ahead of us in the months to come. I believe I can predict with some confidence that the months ahead are going to be very active ones, for the promotion of international trade is a top priority of this government.

Those of you who are out in the market are well aware of how tough it is out there. Despite the real progress that has been achieved under the GATT, international trade is far from free.

Protectionism may not be rampant, but it is certainly thriving. For every tariff barrier that comes down under the GATT, another kind of barrier goes up somewhere. I sometimes think that man reserves his greatest creativity for building new kinds of walls.

We face other problems, as well. Some of our traditional trading partners, particularly in the Third World, have been forced by financial circumstances to go on an austerity régime. We face new and growing competition from nations that have been building their industries. High technology is sweeping the world, and new materials (such as plastics) are crowding out the iron and steel and copper on which the industrial revolution was built.

Because of oversupply, or underdemand, or changing tastes, the prices of many of our products, particularly our natural resources, have deteriorated in world markets. And, to complicate that, our currency, although it has not kept pace with the American dollar, has become more expensive in relation to most of the rest of the world's currencies, making our exports dearer as well.

This litany of limitations could continue, but I believe the point is clear. It's a jungle out there, and we, as a nation, have been slow to adapt to it. In 1968, Canada ranked fourth among the world's trading nations, ahead of Japan. Today, Japan's share of world trade is double ours, and we have dropped to eighth place. The fact that our balance of trade still shows a healthy surplus should not be a great comfort to us. Indeed, it may be a trap. It may have made us complacent. For the blunt truth is that, over the past decade, we have been losing our competitive edge.

We must regain it.

In the four months this government has been in office, we have been studying the ways open to Canada to improve our trade performance, to secure and enhance our access to markets abroad. We have come up with one immediate avenue and a number of longer-term options. Let me run through them with you.

Our immediate initiative is a sizeable trade promotion campaign here at home. The intention is to make Canadian business people better acquainted with their possible export markets, and to encourage them to export. The campaign will take place during most of the month of March in 18 centres across Canada. We will be bringing in the experts -- 105 Trade Commissioners now serving in posts abroad -- to talk to businesses that are now exporting or that could be exporting. The plan is to bring 35 Trade Commissioners to each place for a few days, and put them one-on-one with the interested business people, to go over everything from specific markets and marketing strategies to the ins and outs of international red tape. Our Trade Commissioner Service is not only excellent, it is unique in the world, and we hope more Canadian businesses will make more and better use of it.

We are also, by the way, exploring with the Provincial Governments ways to harmonize our trade position services with the services they provide. Agreement has already been reached on a number of activities that could be undertaken immediately. These include an expanded two-way program of personnel exchanges, the incorporation of provincial perspectives into instructions to federal trade missions abroad, and the establishment of a computerized central information exchange covering trade fairs and other major activities.

One of the most remarkable phenomena in the past two decades is the rapid economic growth of the countries of the Pacific Rim. As their exports have increased, so has their standard of living, and so have their imports. Canada now does more trade across the Pacific than it does across the Atlantic, and there is potential for much more. We intend to exploit that potential. I will be conducting trade talks in two of the Pacific countries, Korea and Japan, next month, and I expect to make other visits to the area beginning in the spring.

Yet if we, as a nation, are to regain our momentum in world trade, we must face a number of trade policy issues of great complexity. Among them is the issue of export finance. Many nations in the world now offer special, subsidized terms to encourage foreign buyers to take their products rather than someone else's. There is also an increased

trend to linking trade to the aid offered to countries in the Third World. The question is, how much of this special financing, and what kind, and under what conditions should Canada undertake? We have prepared a discussion paper on the subject. It has been submitted for Cabinet consideration and I anticipate that it will be ready for release to the public in the very near future.

Also being prepared -- in fact, it's in the last stages of preparation -- is a discussion paper on the broad and vital question of securing and enhancing our market access in the midst of a rapidly changing world marketplace. On the basis of recent discussions among the GATT nations, it is fairly clear that we are heading for another round of multilateral trade negotiations. The last one, you'll recall, was the Tokyo Round, which was signed in 1979 and will come into full effect in 1987.

The next round will probably take up a number of sensitive trade matters -- agricultural subsidies, a stricter code on the employment of emergency safeguard measures, government procurement restrictions, trade in services, the further integration of developing countries into the world trading system, and, sectorally, trade in resource products, clothing and textiles.

Not all the members of the GATT are entirely in favour of starting another new round of negotiations. Many developing countries, for example, are wary, as are some members of the European Economic Community. Yet the United States and Japan are pushing hard for the new round, and we believe it is in Canada's interest to give them our full support. Since the negotiations may formally begin next year, it is most definitely in Canada's interest to prepare for them, to define our concerns and get them on the agenda for the new round. The GATT, we believe, is our best hope for maintaining an open world trading system.

At the same time, we must recognize that a new GATT round will take years to negotiate. In the meantime, we must assure that our trade with our number one trading partner, the United States, does not go sour. It would be hard to overstate the importance of the U.S. market to Canada. It is the closest thing we have to a mass market, the kind that allows producers to achieve economies of scale.

Our trade with the U.S. accounts for nearly three-quarters of our total exports. And, despite occasional efforts to reduce its importance and send our exports elsewhere, the percentage keeps growing. Yet there are bears in the woods. The U.S. Congress is volatile. Protectionist sentiment in the States is strong and is not likely to diminish. If anything, it is likely to increase, and we have had a number of close calls and active threats to our exports in an amazing variety of sectors. In recent years, Canadian producers of softwood lumber, steel, copper, mass transit equipment, cement, fish, and hogs and pork have experienced the uncertainty and frustration of threatened or actual restrictions. Most of them were not intended primarily against Canada -- we got sideswiped by measures aimed at other countries. But the effect on the producer, and the implications for the investment climate in Canada, was no less.

If we are to protect our trading interests in the vital U.S. market, we must examine, and urgently, the options for Canada-U.S. trade relations. The discussion paper will attempt to do that, to set out the options that can serve as a basis for formal and intensive consultations between the Federal Government and other sections of society, including business, labour and consumer groups and the provincial governments.

It must be kept in mind that a large proportion of our two-way trade is already tariff-free. Even so, any new trading arrangement with the U.S. would raise some serious questions here at home. Among them are:

-- the relative competitive strength of our industries;

-- the special measures of adjustment and transition which might be needed;

-- and the anxieties of those concerned with Canadian identity in any proposal for a closer relationship with the United States.

All of these fundamental questions -- export financing, a new GATT round and our relationships with the United States -- will be brought forward shortly, in formal Cabinet discussion papers. As you can see, trade is very much on our minds. It will be on the agenda at the First Ministers Conference next month in Regina. It will be on the agenda when Prime Minister Mulroney meets President Reagan on St. Patrick's Day in Quebec.

It has already been the subject of an extremely fruitful meeting of federal and provincial trade ministers, as a result of which we are all working together to map out a national trade strategy. In addition, I will be representing Canada at trade policy talks to be held in Kyoto next month and in Germany in March.

In the meantime, we will be consulting, formally and informally, with all sectors of Canada's economy. These consultations will be thorough, but they will not stretch on and on into the sunset. We will choose our paths and set our directions.

And, we will act.

It goes without saying that the C.M.A. is an important part of the country's economic life. We look forward to your contribution to this process of national consultation.

Thank You!