

STATEMENT DISCOURS

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Notes for an address by the
Honourable James Kelleher,
Minister for International
Trade, to the Financial
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I'm going to start out by making a statement that is so obvious -- and yet of such blinding truth -- that you will probably be shocked by it; few nations in the world are as dependent on international trade as is Canada.

Truism? Old saw? Of course. But saws become old only because of long use, and truisms, basically, are repeated truths. The fact is that out of every dollar we earn in Canada, 30 cents come from exports. Three million jobs in Canada depend directly on trade -- and the figure would be higher if our trade performance were better, because every billion dollars in exports translates into nearly 16,000 jobs. To put it very simply, if we in Canada could not trade outside of Canada, our standard of living would be severely reduced, and our way of life would be far different than it is and has been.

But there are growing threats to our trade. One of the most obvious ones, the traditional one, is protectionism, which is alive and well and living in every country, certainly including Canada.

Forty years ago, in Bretton Woods, New Hampshire, the Allied Nations signed the General Agreement on Tariffs and Trade, otherwise known as the GATT, a document designed to establish an open and orderly world trading system. Since then, there have been seven rounds of multilateral trade negotiations, the last one being the Tokyo Round in 1979. Some progress has been made, but the world's trading nations still haven't got their act together. For every tariff barrier that comes down under the GATT, it seems like another kind of barrier goes up. A quota here, a voluntary restraint agreement there, a change in regulations somewhere else -- whatever will protect local industries that can't quite compete. I sometimes think that man reserves his greatest creativity for building new kinds of walls.

Aside from outright trade barriers, we face other problems as well. World production has tripled in the past 40 years, and a lot of the new production is coming from countries in the Pacific Rim and elsewhere which have been successfully building their industries. There is, in other words, a lot more competition out there in the market than there ever has been before.

There have also been fundamental changes in the market, in what people want to buy. Plastics are up, base metals are down. High technology is sweeping the world.

In the U.S. alone, the information technology industry now brings in as much revenue as the auto industry. Worldwide, it will be the biggest manufacturing industry in less than five years. And if you want a real mind-blower, at least four countries are on the threshold of producing a computer that will approximate the human brain. And I heard on the radio the other day about the wedding of two Japanese computer workers. A robot performed the ceremony.

What we are facing, indeed, has been referred to as a "collection of revolutions coming together". We are in the midst of what may be the most fundamental transition of our history -- a transition rooted in technology but involving almost everything that touches our lives; our energy base, our financial system, our industrial structure, our employment structure, our family structure, the way we communicate, even our framework of beliefs.

This is too much to cope with all at once, but we can at least try to tackle it piece by piece. Under Prime Minister Brian Mulroney, what the Federal Government is trying to do is

to put Canada in a position to face the challenge of change. To open up our economy, to make it more competitive, more attractive to investment, and to provide more jobs.

Back in September, when I became Minister for International Trade, one of the first things I did was to ask to see a copy of the document outlining Canada's national trade strategy. Now, I must say that our trade officials have always been very helpful, but they couldn't give me the document. Because it didn't exist. It came as something of a surprise to me, but Canada had no national trade strategy. We had a commitment to the GATT, but no national strategy. For the past I-don't-know-how-many years, Canada has been shooting from the hip, riding out like a posse in the night to try to chase down the latest villain. We didn't always get our man.

We're trying to change that, and I think most of you here are aware of most of what we've been doing. But let me summarize briefly. We have been meeting with the provinces at all levels -- officials, trade ministers and first ministers -- to work out together the elements of a national trade strategy. One that would coordinate our efforts overseas, agree on our priorities back home, and provide our exporters a solid and up-to-date information base on opportunities throughout the world.

Another initiative was a Canada-wide trade promotion exercise, "Marketplace '85", which took place all over Canada during the month of March. The object was to let small and medium-sized companies know how they might get into the export markets, or improve their performance if they were already exporting. And to that end, we brought 105 Trade Commissioners back from their posts abroad and put them one-on-one with business people. Altogether, they talked to nearly 7,000 business people, many of whom had never exported before.

We're also preparing for the eighth round of multilateral trade negotiations under the GATT. There has been some question on when the next round would start, because not all the GATT signatories were agreed on the usefulness of another round. But there was unexpected progress made at the recent OECD meeting in Paris, and it now looks like the negotiations could begin next year.

And then there was last month's Shamrock Summit, between Prime Minister Mulroney and President Reagan, in Quebec City. Without any doubt, the Quebec Summit was one of the most substantive Canada-U.S. meetings ever held. It dealt with a wide range of issues, but what is perhaps most important to those of us here, was the declaration on trade.

The trade declaration is of great significance to both countries. It really has three parts to it. First, an agreement on the immediate resolution of a number of outstanding irritants -- including U.S. marking requirements on steel pipes and Canadian taxes on tourist literature.

Second, the Trade Ministers of both countries were charged with devising a bilateral mechanism to chart ways to reduce or eliminate existing barriers to trade between us. We have been asked to report our recommendations within six months, and in that regard I can report that when I was in Chicago last week, I had a very pleasant and encouraging meeting with Clayton Yeutter, who as you know, has been nominated to take over the post of U.S. Trade Representative.

Third, a comprehensive work plan over the next year to resolve a wide range of specific impediments to increased trade. One of the major areas here is the so-called "Buy America" or "Buy Canada" provisions of government procurement programs.

Government procurement is no small potato. The U.S. Federal Government is by far the largest organization in the world. The office space it takes up is the equivalent of four times all the office space in America's ten largest cities. From those offices it spends \$91 million every hour -- or \$2 billion every day. We believe we can get a bigger share of that spending than we do now.

Our most important initiative in trade, our long-term initiative, is the one that began back in January with the publication of a major discussion paper on "How to Secure and Enhance Our Access to Export Markets". As you know, the paper covers two general areas. One is what we must do to prepare our position for the next GATT round. The other is what we should do to protect and, if possible expand, our trade with our biggest customer, the United States.

It would be very hard to exaggerate the importance of keeping our business with the U.S. going, and the paper sets our four possible courses for doing so.

We could try to go along under the status quo.

Or we could try to negotiate arrangements limited in scope to particular sectors, or to particular types of non-tariff barriers.

Or we could negotiate a framework agreement, which would commit the two governments, politically to objectives and mechanisms for the removal of trade barriers and the settlement of bilateral disputes.

Or finally, we could try to negotiate a comprehensive trade agreement with the U.S., one which might involve most of the trade passing both ways between us.

In releasing the discussion paper, the Government made no prejudgment on which of the four strategies would be the wisest and most appropriate for Canada. None of them is entirely free of risk. Rather than prejudge the issue, we have taken it to the people of Canada.

I have spent most of the past month on the road, listening to business people from almost all sectors of the economy, hearing the problems of exporters of all kinds, talking with labour leaders and academics. So far, our consultations have taken us to eleven Canadian cities, from coast to coast, and we have four more to go.

I know that you want me to tell you where, on the basis of the consultations, we seem to be heading. But I doubt that you really expect me to, and the fact is that it's still too early. We're still in the process of listening, and we will be until the middle of next month.

What I can do, however, is to tell you something about what we've been hearing so far. It has been very educational, very illuminating and, I must say, in many respects, very encouraging.

I have been enormously impressed by the depth and breadth of creativity in the business sector. Canadian companies create and export an amazing variety of goods and services, and to all parts of the world.

We have found a concern among the business community about Canadian competitiveness in the world, an awareness that we have lost some ground and must regain it.

At the same time, we have found a conviction -- not unanimous, but fairly general -- among Canadian business people that they can compete, and will be happy to compete, with American business on any reasonable terms and in any part of the world, including the U.S. This confidence has been expressed even by sectors of the economy that have been perceived as weak, as needing protection to survive.

But we have also found that many Canadian businesses have been experiencing problems getting financing for overseas projects, particularly in the Third World. We're working on several fronts to correct these problems.

We have been impressed by the high degree of awareness of the seriousness of protectionist sentiments in the U.S. Indeed, the feeling has been close to unanimous that we have to do something of substance to secure and enhance our access to the U.S. and then that we should act fairly quickly to do it. There is also, however, a conviction that whatever we do with the U.S. should not dim our trade prospects with other parts of the world -- particularly the fast-growing Pacific Rim, but elsewhere as well.

We have also been impressed by the concern of many of the union leaders that we have talked about Canada's ability to compete - in its own market and in the world.

And we have had impressed upon us the need to open up our interprovincial commerce here in Canada. Many business people have told us that the most formidable trade barriers they face are the ones between the provinces.

We have found some regional variances in both problems and aspirations, but not nearly as many as we had expected. Indeed, we found, coast to coast, far more consensus than dissensus. And in Western Canada, particularly, I was greatly encouraged by the repeated statements of business people that they understood and sympathized with the concerns of Ontario and Quebec. If this means that Canada is coming together as a nation, I am overjoyed.

Altogether, the consultation process has been a completely absorbing experience, and although it's running me a little ragged I look forward to the rest of the tour. We'll be on the road until early May, then we'll go back to Ottawa to hear some formal presentations, and then we'll try to digest it all. After that, I'll be discussing what we've heard with the governments of the provinces, and by sometime in June, I hope and expect to put my preliminary recommendations to Cabinet.

But that will be only the first step in the process. The government is putting together studies in depth, with the help of the private sector, of the impact each possible course of action would have on each of Canada's sectors, and these studies will contribute to my final recommendations -- which should come toward the end of the summer -- and of course, to whatever course of action the full Cabinet decides to recommend.

Whichever course we choose, I believe we will find a receptive negotiating table in the U.S. Our American counterparts have told us, and I certainly have no reason to doubt them, that they are as interested as we are in strengthening our trade relationship. And they would like to move as quickly as possible to strengthen it.

But whatever the course turns out to be, I can guarantee two things. It will be determined on the basis of what is in Canada's interest. And it will reflect the will, as expressed in our consultations, of Canadians across land.

Thank You.