



Minister for
International Trade

Ministre du
Commerce extérieur

STATEMENT DISCOURS

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Speech in the House of Commons
by the Minister for International Trade,
The Honourable Pat Carney,
on the Throne Speech,
October 9, 1986

OTTAWA

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Canada

MR. SPEAKER, TODAY IS MY FIRST OPPORTUNITY TO SPEAK IN THIS HOUSE IN MY NEW CAPACITY AS THE MINISTER FOR INTERNATIONAL TRADE. BEFORE COMMENCING MY REMARKS, HOWEVER, I WOULD LIKE TO EXTEND MY PERSONAL CONGRATULATIONS TO YOU ON YOUR ELECTION AS SPEAKER. THE HOUSE HAS CHOSEN WELL, AND I KNOW THAT I SPEAK ON BEHALF OF ALL BRITISH COLUMBIANS AND INDEED, ALL CANADIANS, WHEN I WISH YOU ALL THE BEST AS YOU UNDERTAKE YOUR NEW RESPONSIBILITIES.

MR. SPEAKER, JUST OVER ONE WEEK AGO, HER EXCELLENCY THE GOVERNOR GENERAL OUTLINED THIS GOVERNMENT'S AGENDA FOR ACTION OVER THE NEXT TWO YEARS. THAT AGENDA IS DESIGNED TO ACHIEVE FOUR GOALS:

- NATIONAL RECONCILIATION;
- CONTINUING ECONOMIC RENEWAL;
- ENHANCED SOCIAL JUSTICE; AND
- CONSTRUCTIVE PARTICIPATION IN GLOBAL AFFAIRS

THESE GOALS ARE LINKED AND ARE MUTUALLY REINFORCING.

NATIONAL RECONCILIATION - GIVING CANADIANS A NATIONAL SENSE OF PURPOSE - IS AN ESSENTIAL PRECONDITION TO ECONOMIC RENEWAL, SINCE WE CAN HARDLY COMPETE ABROAD IF WE DO NOT COOPERATE AT HOME.

ECONOMIC RENEWAL, IN TURN CAN INCREASE OUR ABILITY TO MAKE SOCIAL PROGRESS. IT WILL GIVE US THE MEANS TO FINANCE DESIRABLE SOCIAL AND CULTURAL PROGRAMS AND TO ENHANCE OUR QUALITY OF LIFE.

AND IF WE CAN ACHIEVE THE GOAL OF BECOMING A MORE UNITED, PROSPEROUS AND PROGRESSIVE SOCIETY, WE WILL BE BETTER ABLE TO TAKE UP OUR INTERNATIONAL RESPONSIBILITIES AND PLAY A CONSTRUCTIVE ROLE IN THE GLOBAL COMMUNITY.

MR. SPEAKER, AS ALL MEMBERS KNOW, TRADE WILL PLAY A VITAL ROLE IN ACHIEVING THESE GOALS, JUST AS IT HAS DONE OVER THE ENTIRE SPAN OF OUR CONFEDERATION. OUR TRADE POLICY IS BASED ON AN ASSESSMENT OF GLOBAL TRADING PATTERNS AND ON THE RECOGNITION OF HISTORICAL CHANGE. MOREOVER, IT IS BASED UPON THE NEED TO SEIZE OPPORTUNITIES TO ADVANCE THE NATIONAL INTEREST.

CANADIAN TRADE POLICY MUST REFLECT A BASIC FACT OF CANADIAN ECONOMIC LIFE - OUR SMALL POPULATION. A SMALL DOMESTIC MARKET MEANS THAT SECURE ACCESS TO FOREIGN MARKETS IS CRITICAL.

IN CANADA, TRADE MEANS CANADIAN JOBS. TWENTY SEVEN PERCENT OF OUR GNP IS DIRECTLY RELATED TO EXPORTS. ONE IN THREE CANADIAN JOBS DEPENDS, IN SOME FORM, UPON TRADE.

UNLIKE COUNTRIES WITH LARGE DOMESTIC MARKETS, SUCH AS THE U.S., JAPAN, OR BRAZIL OUR INDUSTRIES REQUIRE MARKETS LARGER THAN OUR OWN TO ACHIEVE EFFICIENT ECONOMIES OF SCALE AND SPECIALIZATION. OUR COMPANIES NEED ACCESS TO THOSE MARKETS TO JUSTIFY INVESTMENT IN MODERN PLANTS AND EQUIPMENT AND EXPENSIVE RESEARCH AND DEVELOPMENT.

BUT SECURE ACCESS TO FOREIGN MARKETS IS IMPORTANT FOR MORE THAN JUST EXPORT-ORIENTED COMPANIES. IT IS ALSO IMPORTANT FOR CANADIAN CONSUMERS AND OUR RETAIL BUSINESS SECTOR.

IF OUR COMPANIES ARE NOT INTERNATIONALLY COMPETITIVE, THEY WILL NOT BE COMPETITIVE AT HOME. THAT WOULD MEAN HIGHER COSTS TO CANADIAN CONSUMERS AND LESS DISPOSABLE INCOME FOR CONSUMER AND BUSINESS SPENDING; AND THAT MEANS FEWER JOBS AND LESS ECONOMIC ACTIVITY IN OUR COUNTRY.

THESE ARE THE BASIC FACTS OF CANADIAN ECONOMIC LIFE THAT CANNOT BE WISHED AWAY. AND IT IS FOR THESE REASONS THAT FROM THE TIME OF THE GREAT DEPRESSION, SUCCESSIVE GOVERNMENTS HAVE ALL SOUGHT TRADE LIBERALIZATION THROUGH INTERNATIONAL NEGOTIATIONS.

THE EXPANSION OF THE WORLD TRADING SYSTEM HAS BROUGHT GREAT BENEFITS TO CANADA. OUR EXPORTING ABILITY HAS GIVEN US A STANDARD OF LIVING THAT IS THE ENVY OF MOST OF THE WORLD. AND IT HAS PROVIDED US WITH THE WEALTH TO DEVELOP ACCESSIBLE HEALTH CARE, AFFORDABLE EDUCATION, EQUALIZATION POLICIES, INCOME SECURITY PROGRAMS AND NATIONAL CULTURAL INSTITUTIONS - ALL THE INSTITUTIONS AND VALUES WHICH DEFINE THE CANADIAN WAY OF LIFE.

PRAGMATISM AND REALISM HAVE LED US TO INITIATE A TWO-TRACK TRADE POLICY STRATEGY, MADE UP OF BILATERAL NEGOTIATIONS WITH THE UNITED STATES - BY FAR OUR MOST IMPORTANT CUSTOMER - REINFORCED BY MULTILATERAL NEGOTIATIONS UNDER THE AUSPICES OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (THE GATT).

LET ME REVIEW SOME OF THE REALITIES BEHIND THIS TWO-TRACK APPROACH.

IN THE FORTY YEARS SINCE THE FORMATION OF THE GATT THE INTERNATIONAL TRADING SYSTEM HAS CHANGED. FOUR EVENTS STAND OUT:

- FIRST, THE FORMATION OF THE EUROPEAN COMMUNITY AND MANY OTHER SMALLER REGIONAL TRADING BLOCS, SUCH AS THE ASEAN BLOC, THE AUSTRALIA-NEW ZEALAND PACT AND THE EUROPEAN FREE TRADE ASSOCIATION;
- SECONDLY, THE DRAMATIC RISE OF JAPAN AS A MAJOR ECONOMIC POWER;
- THIRDLY, THE EMERGENCE OF CERTAIN NEWLY INDUSTRIALIZED NATIONS, SUCH AS SOUTH KOREA AND BRAZIL; AND
- FOURTHLY, THE PROLIFERATION OF INDEPENDENT NATION-STATES RESULTING FROM POST-WAR DECOLONIZATION.

THESE EVENTS HAVE CHANGED THE INTERNATIONAL ENVIRONMENT. IN TODAY'S WORLD THERE ARE MANY MORE COMPETITORS PRODUCING THE GOODS THAT WE PRODUCE. MOREOVER, THE EMERGENCE OF REGIONAL TRADING ARRANGEMENTS MEANS THAT SOME OF OUR TRADITIONAL MARKETS ARE NOT AS OPEN TO US AS THEY ONCE WERE. IN SHORT, COMPETITION IN WORLD MARKETS IS INCREASING. A CANADIAN TRADE POLICY THAT SEEKS TO SAFEGUARD OUR INTERESTS MUST REFLECT THESE REALITIES.

CERTAINLY, THESE FUNDAMENTAL CHANGES IN THE WORLD ECONOMY HAVE BEEN REFLECTED IN THE GATT. THE GATT HAS EVOLVED FROM A SMALL CLUB OF LIKE-MINDED COUNTRIES TO A MUCH MORE COMPLEX GROUP OF COUNTRIES HAVING VASTLY DIFFERENT COMPETITIVE STRENGTHS AND TRADING INTERESTS. THIS HAS LED TO MORE COMPLICATED AND LENGTHY MULTILATERAL TRADE NEGOTIATIONS. THE LAST ROUND, FOR INSTANCE, THE TOKYO ROUND, LASTED FROM 1973 TO 1979.

CANADA IS A UNIQUELY IMPORTANT PLAYER IN THIS COALITION OF COUNTRIES. WE ARE A BRIDGE BETWEEN THE LESS DEVELOPED COUNTRIES AND THE ECONOMIC SUPERPOWERS.

OUR INTERESTS ARE ALLIED WITH OTHER RESOURCE-BASED PRODUCERS. THIS IS DEMONSTRATED BY THE PIVOTAL ROLE THAT CANADA PLAYED IN PUTTING AGRICULTURE ON THE AGENDA OF THE GATT NEGOTIATIONS STARTED AT PUNTA DEL ESTE, URUGUAY.

AT THE SAME TIME, WE HAVE COMMON INTERESTS WITH THE LARGEST TRADING NATIONS. WE ARE A MEMBER OF THE QUADRILATERAL, THE INFORMAL GROUP OF THE LARGEST TRADERS IN THE WORLD, ALONG WITH THE UNITED STATES, JAPAN, AND THE EUROPEAN COMMUNITY. WE MET AT SINTRA, PORTUGAL, JUST PRIOR TO THE GATT NEGOTIATIONS IN URUGUAY AND PLAYED AN ACTIVE ROLE IN COORDINATING OUR POSITIONS FOR THE GATT NEGOTIATIONS.

THERE SHOULD BE NO DOUBTS. WE ARE AN IMPORTANT MEMBER OF THE MULTILATERAL TRADING COMMUNITY AND THERE SHOULD BE NO MISTAKING THIS GOVERNMENT'S COMMITMENT TO THE GATT. WE ARE AN ACTIVE, DYNAMIC, AND LEADING PLAYER IN THE GATT AND WE ARE ABSOLUTELY COMMITTED TO THE GENERAL AGREEMENT AND TO THE URUGUAY ROUND.

BUT IN REAFFIRMING OUR COMMITMENT TO THE GATT WE MUST REALIZE THAT IT CAN'T PROTECT ALL OUR INTERESTS. THE VAST MAJORITY OF OUR EXPORTS GO TO ONE NATIONAL MARKET, THE U.S. MARKET.

WE ARE ENGAGED IN BILATERAL NEGOTIATIONS WITH THE UNITED STATES FOR ONLY ONE REASON: IT IS IN CANADA'S INTEREST TO DO SO.

WHAT DO WE SEEK TO ACHIEVE? WE WANT TO REDEFINE THE RULES THAT PRESENTLY GOVERN TRADE BETWEEN OUR TWO COUNTRIES. WE WANT TO SECURE AND ENHANCE OUR ACCESS TO THE U.S. MARKET, AND WE WANT TO LOCK THOSE RULES AND THAT SECURITY OF ACCESS INTO THE FORM OF A LONG TERM, BINDING TREATY BETWEEN BOTH COUNTRIES.

LET ME FIRST DISCUSS SECURE ACCESS. THERE IS A THICKET OF U.S. TRADE LAWS AT THE DISPOSAL OF ANY INTEREST WITH THE MONEY TO US THEM. SINCE 1980, WELL OVER 500 COMPLAINTS HAVE BEEN BROUGHT. THESE CASES HAVE BECOME INCREASINGLY COMPLEX AND HAVE SPAWNED AN UNPRECEDENTED NUMBER OF APPEALS.

QUITE NATURALLY, THE PROLIFERATION OF TRADE COMPLAINTS IN THE PAST FIVE YEARS HAS CAUSED GRAVE CONCERN IN CANADA. THE CASES COMPLICATE INVESTMENT DECISIONS BECAUSE TO BE SUCCESSFUL, CANADIAN PRODUCERS NEED SECURITY OF ACCESS TO FOREIGN MARKETS, AND IF THE RULES' INTERPRETATIONS KEEP CHANGING, THAT SECURITY IS JEOPARDIZED AND DIMINISHED.

AS IMPORTANT AS THE PROLIFERATION OF TRADE COMPLAINTS, IS A DISTURBING RELUCTANCE IN THE U.S. TO ACCEPT THE VERDICT WHEN U.S. INTERESTS DON'T WIN A CASE.

WE HAVE SEEN THAT IN GRAPHIC TERMS IN SOFTWOOD LUMBER. WE WON THE CASE IN 1983. WE THEN FACED A NUMBER OF LEGISLATIVE INITIATIVES SEEKING IN ONE WAY OR ANOTHER TO LIMIT OUR EXPORTS TO THE U.S. WE THEN FACED A FACT-FINDING INVESTIGATION, THEN YET ANOTHER COUNTERVAIL THIS YEAR AND THE THREAT THAT IF THE U.S. INDUSTRY DOES NOT GET WHAT IT WANTS, THE LIKELIHOOD OF MORE CONGRESSIONAL ACTION.

THIS, MR. SPEAKER, IS WHY WE SEEK NEW RULES. WE SEEK A BETTER SHIELD AGAINST THE FORCES OF PROTECTIONISM. THE EXISTING RULES MAY BE LAW BUT THEIR ENFORCEMENT DOES NOT ALWAYS LEAD TO JUSTICE. WE WANT MORE CERTAINTY, A MORE CONFIDENT ENVIRONMENT FOR INVESTORS AND PRODUCERS IN CANADA. THIS IN TURN WILL GENERATE JOBS AND ECONOMIC GROWTH!

WHAT ABOUT ENHANCED ACCESS? ONE EXAMPLE IS OUR PRODUCERS' ABILITY TO SELL THEIR GOODS TO U.S. STATE AND FEDERAL GOVERNMENTS. FOR EXAMPLE, BUY AMERICA REQUIREMENTS PROHIBIT THE USE OF FOREIGN STEEL IN PROJECTS FUNDED UNDER CERTAIN LAWS. THIS CLOSES AN IMPORTANT PART OF THE U.S. MARKET TO OUR PRODUCERS.

WE WANT BETTER ACCESS TO THESE MARKETS SO THAT OUR WORLD-CLASS TECHNOLOGY IN AREAS SUCH AS TELECOMMUNICATIONS AND ELECTRICAL GENERATING EQUIPMENT CAN COMPETE ON AN EQUAL FOOTING WITH U.S. PRODUCERS.

THERE ARE MANY OTHER TRADE ACTIONS TAKEN BY THE U.S. WHICH IRRITATE US. I COULD MENTION POTASH, URANIUM, WHEAT SUSIDIES, AND OTHER U.S. SUPPORT PRACTICES. BUT WE ARE NOT WALKING AWAY. RATHER, WE ARE SEEKING THROUGH NEGOTIATIONS A BETTER FRAMEWORK FOR TRADE BETWEEN US.

THE U.S. ADMINISTRATION, FOR ITS PART, HAS INDICATED THAT IT SEES IMPORTANT BENEFITS FOR ITS COUNTRY. CANADA IS THE LARGEST MARKET FOR U.S. EXPORTS AND ONE OF THE FEW MARKETS WHERE U.S. EXPORTS ARE INCREASING. CANADA IS THE LARGEST RECIPIENT OF DIRECT U.S. INVESTMENT. MILLIONS OF CROSS-BORDER TRANSACTIONS LINK OUR TWO NATIONAL ECONOMIES.

THE UNITED STATES HAS ITS CONCERNS. WE WILL LISTEN TO THEM AND WE WILL ADDRESS THEM WHERE WE ARE ABLE TO DO SO. THAT IS THE PROCESS OF NEGOTIATION. ANY TRADE TREATY CLEARLY MUST BE BENEFICIAL TO BOTH PARTNERS.

SOME WHO OPPOSE THIS INITIATIVE SAY WE ARE UNDERMINING THE GATT BY ADVANCING OUR INTERESTS ON A BILATERAL BASIS. THAT IS SIMPLY WRONG. A BILATERAL ARRANGEMENT IS CONSISTENT WITH GATT RULES. MOREOVER, OUR BILATERAL TALKS WITH THE U.S. ARE NOT ONLY CONSISTENT WITH THE GATT, THEY COULD SERVE AS MULTILATERAL PROGRESS. WE ARE WELL AWARE THAT CANADA-U.S. AGREEMENTS IN SUCH AREAS AS PROCUREMENT AND SERVICES COULD BE MODELS FOR MULTILATERAL ACTION, AND WE ARE NEGOTIATING WITH THIS IN MIND.

SO THOSE ARE SOME OF THE REALITIES THAT HAVE PROMPTED US TO EMBARK ON A TWO-TRACK APPROACH. THEY MAKE A COMPELLING CASE FOR A TWO-TRACK POLICY. THE CRITICS HAVE THE RESPONSIBILITY TO ADDRESS THESE SAME REALITIES AND TO TELL CANADIANS HOW THEIR POLICIES MEET THE NEEDS OF CANADIANS TODAY. I SUSPECT THEY WILL NOT - BECAUSE THEIR POLICIES ARE NOT BASED ON FACT OR SUPPORTED BY PAST EXPERIENCE; AND THEIR POLICIES DO NOT MEET THE NEEDS OF CANADA, IN TODAY'S WORLD.

I RECOGNIZE THAT MUCH OF THIS CRITICISM HAS BEEN DIRECTED AT THE HEARTS OF CANADIANS - NOT THEIR HEADS. THEY HAVE WARNED OF THE TRAUMATIC ADJUSTMENTS THAT WILL FLOW FROM AN ARRANGEMENT; AND THEY HAVE WARNED THAT OUR CULTURAL SOVEREIGNTY IS AT STAKE.

SO LET ME TAKE A MINUTE TO ADDRESS THESE TWO FEARS.

FIRST, THE TRAUMA OF CHANGE. LET US PUT THIS IN PERSPECTIVE. CANADA HAS BEEN REDUCING ITS TRADE BARRIERS STEP-BY-STEP SINCE THE BEGINNING OF GATT IN 1947. CANADIANS HAVE NOT ONLY SURVIVED THIS PROCESS - WE HAVE PROSPERED. A BILATERAL AGREEMENT WOULD BE ANOTHER STEP IN THIS PHASED AND EVOLUTIONARY PROCESS WHICH STARTED 40 YEARS AGO.

IF CANADIANS PROSPERED THROUGH SEVEN ROUNDS OF TRADE LIBERALIZATION, WHY WOULD THE NEXT STEP BE ANY DIFFERENT?

SECOND, THERE IS THE QUESTION OF CULTURAL SOVEREIGNTY. TWO IMPORTANT EVENTS IN THE LIFE OF CANADA TOOK PLACE IN THE LATE 1940'S. ONE WAS THE CREATION OF THE GATT - THE START OF A TRADE LIBERALIZATION PROCESS THAT HAS CONTINUED TO THIS DAY.

THE OTHER WAS THE MASSEY ROYAL COMMISSION ON NATIONAL DEVELOPMENT IN THE ARTS, LETTERS AND SCIENCES - THE START OF A CULTURAL DEVELOPMENT PROCESS THAT HAS ALSO CONTINUED TO THIS DAY.

THE TWO PROCESSES WENT HAND IN HAND; BECAUSE IT WAS THE PROSPERITY CREATED BY TRADE LIBERALIZATION THAT ALLOWED US TO CREATE IN THE 1950'S, 60'S, 70'S AND 80'S ALL THE INSTITUTIONS AND PROGRAMS WHICH DEFINE US AS CANADIANS TODAY.

AND JUST AS TRADE LIBERALIZATION CONTINUES, THE CHALLENGE TO BUILD A NATIONAL IDENTITY CONTINUES TODAY. WE IN THIS GOVERNMENT RECOGNIZE THAT. WE HAVE SAID CLEARLY TO OUR NEGOTIATORS: THE GOVERNMENT'S ABILITY TO PROTECT AND ENHANCE CANADIAN CULTURE IS NON-NEGOTIABLE.

WE WANT A COUNTRY WHOSE PEOPLE CAN COMMUNICATE WITH ONE ANOTHER THROUGH THE ARTS AND POPULAR MEDIA. THE ESSENCE WHICH MAKES US CANADIANS CANNOT AND WILL NOT BE COMPROMISED.

BEFORE I CLOSE MY REMARKS, LET ME MAKE A FINAL POINT.

MR. SPEAKER, SO FAR I HAVE SPOKEN ABOUT OUR TWO-TRACK TRADE POLICY. LET ME NOTE ANOTHER ELEMENT IN OUR OVERALL TRADE STRATEGY: THAT IS THE NEED TO SEEK NEW EXPORT OPPORTUNITIES.

I VIEW THE PROMOTION OF CANADIAN EXPORTS AS BEING A KEY ELEMENT OF MY PORTFOLIO. ESSENTIAL AS IT MAY BE, IT IS NOT ENOUGH TO NEGOTIATE CHANGES IN THE RULES GOVERNING TRADE. WE MUST CONTINUE TO SEEK NEW MARKETS FOR OUR GOODS AND SERVICES.

AS WAS STATED IN THE SPEECH FROM THE THRONE, PARTICULAR EMPHASIS WILL BE PLACED UPON TRADE WITH JAPAN AND OTHER PACIFIC RIM COUNTRIES. I WILL BE ADDRESSING THIS THEME AGAIN IN THE COMING MONTHS.

SO, MR. SPEAKER, WE KNOW PRECISELY WHAT WE ARE DOING. WE ARE WELL-PREPARED; AND WE ARE CONVINCED THAT OUR STRATEGY IS THE BEST WAY TO ADVANCE OUR NATIONAL INTERESTS. WE ARE ACTIVELY CONSULTING WITH THE PROVINCES. INDEED, OUR RESPONSE TO THE SOFTWOOD LUMBER CASE IS A PRIME EXAMPLE OF FEDERAL-PROVINCIAL COOPERATION IN TRADE.

WE ALSO HAVE THE ADVICE OF A WIDE ARRAY OF PRIVATE SECTOR EXPERTS. AND AS PRIME MINISTER MULRONEY HAS CONSISTENTLY SAID, IF OUR NEGOTIATIONS DO NOT RESULT IN A BETTER DEAL FOR CANADA - THERE WILL BE NO DEAL.

BUT WE BELIEVE IT IS OUR RESPONSIBILITY TO TRY. WE BELIEVE THAT TRADE PROBLEMS OVER THE PAST FEW YEARS IN SUCH SECTORS AS LUMBER, FISH, PORK AND STEEL PROVE THAT EXISTING TRADE RULES MUST BE IMPROVED. AND WE CANNOT IMPROVE THE SITUATION IF WE TURN AND WALK AWAY.

WE HAVE THE CHOICE OF NEGOTIATING TO ADVANCE OUR INTERESTS, OR WE CAN RUN AWAY AND LET OTHERS UNILATERALLY SET THE RULES FOR US.

WE CHOOSE TO NEGOTIATE - NOT BECAUSE IT IS POPULAR; NOT BECAUSE IT IS EASY; BUT BECAUSE IT IS IN THE NATIONAL INTEREST OF CANADA.