

Statement

Minister for
International
Trade



Discours

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NOTES FOR AN ADDRESS

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

TO THE

FEDERAL BUSINESS DEVELOPMENT BANK

ETHNOCULTURAL BUSINESS ADVISORY COMMITTEE

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Canada

I am delighted to be here tonight to discuss how we Canadians can meet the challenge of changing markets in the 1990's.

I said we Canadians. I should have said we **new** Canadians. Because many people forget that I too am a naturalized Canadian. Like many of you here tonight, I was not born in this country, only becoming a Canadian when Newfoundland joined Confederation in 1949. I bet I have also taken more ribbing about my accent than all of you here put together. So I think we older Newfoundlanders have earned our spot in the Canadian cultural mosaic.

Today's program has focused on multiculturalism, small business and trade - as Canadian a conference as there ever could be. It was the product of a 1986 initiative, "Multiculturalism means Business". Well, I am here to tell you that the Department of External Affairs and International Trade also means business. That's why we have officially added International Trade to our corporate name - to explicitly recognize the importance of international trade in our foreign relations; and to make sure that small and large exporters in Canada recognize that **we are your focal point in Ottawa. We exist to serve your needs.**

I know the cynics out there may laugh when you hear a politician talking about supporting the efforts of the private sector. On a day-to-day basis, governments can sometimes look like part of the problem - not part of the solution.

So tonight, I want to explain our strategy to help you meet the challenge of change. I want to give you some food for thought, so you can judge for yourself whether or not there may just be method in our madness after all.

Our strategy for Canada starts from the premise that the world is not only changing - it has already fundamentally changed.

Scientific advance has tipped the scales of success from natural resources and brawn to human resources and brains.

It's a world where a truly global economy now exists, linked by instant communications. A world in which no national economy can remain an island unto itself. A world where all countries must meet their international needs, no matter how inconvenient. Not just their domestic wants, no matter how desirable.

It is a world where neither countries nor companies can run and hide from the consequences of their actions.

And it's a world that is not only growing smaller, but faster every day.

In 1984, when my colleagues and I first came to office, we recognized what this new reality meant for Canada.

It meant we had to change.

It meant that if we wanted to maintain our standard of living, we had to become internationally competitive producers of value-added goods and services - not just natural resources.

It meant we had to decentralize power in our society so that more decisions could be taken on a timely basis by individuals and firms - not distant bureaucrats and regulators.

And it meant we had to reform a wide range of obsolete and counterproductive public policies.

As you know, that's exactly what we did in our first mandate - in policies ranging from transportation to trade.

And the plan worked.

In 1984, the World Economic Forum of Switzerland judged Canada eleventh among nations in terms of international competitiveness.

In 1989, we rank fourth.

Proof that we must have done something right.

Now, during our second mandate, we are trying to build on those efforts so that Canadian businesses can become even more competitive, both at home and abroad.

Two key reforms involve tax and trade.

As you all know, the proposed federal goods and services tax is currently causing heated public discussion. So let me shed a little less heat and hopefully, a lot more light on the subject.

Fact number one. We have had a federal sales tax for sixty years. Its impact is buried in the prices you currently pay.

Fact number two. The current tax raises 18 billion dollars a year.

Fact number three. We need that money, because we transfer 24 billion dollars a year to the provinces to finance hospitals, universities, welfare and child care - fully one quarter of federal program spending.

And fact number four. A federal sales tax is the way we can pay for medicare, universities and the like without making our income tax rates uncompetitive.

When one considers these four basic facts, it soon becomes clear that the question facing Canadians is not "Sales Tax, yes or no?"

We need a sales tax in one form or another.

The real question is "what kind of federal sales tax is best for Canada?"

And the answer is definitely "not the existing one".

Why must it go?

- . Because it actually favours imports over our own manufactured goods;
- . It raises the cost of our exports so we lose foreign sales; and

. It increases the cost of capital investment in Canada.

Now, it is no secret that our first choice would have been one National Sales Tax. But it was clear we were getting nowhere with the provinces after 2 years of discussions. Hopefully, we will one day have one combined tax, but that is for the future.

So that left us with the GST. And though it is far from perfect, it is also far superior to the current manufacturers sales tax.

It will help us finance all the programs which define us as Canadians but in a way that promotes exports, investment and jobs and is more fair to low income Canadians.

Indeed, I would suggest that before anyone condemns the GST out of hand, he should remember the wise words of the late Maurice Chevalier, when he was asked whether he liked old age.

He said it was "not bad - considering the alternatives".

I have spent so much time on sales tax reform not just because it is controversial, but because it is also a critical part of our trade strategy, which is my responsibility.

Reject sales tax reform...keep the existing sales tax or opt for higher income tax rates instead...and it will simply be that much harder for Canadian enterprise to compete and win both at home and abroad.

That's not what we want for Canadian business.

We want Canadians to become **more** competitive - not less.

We want **more** Canadian firms to invest in world-class facilities - not less - so they can exploit the opportunities in freer global trade and increase our value-added exports.

We want more Canadian firms to get their feet wet in export markets. That's the purpose of our NEB's program - to help new exporters sell to the Border States.

We want more Canadian exporters to move beyond the border states into other American regions. That's why we have started the NEXUS program geared to the Southern U.S.

We want to increase opportunities for Canadians by securing access to offshore markets through the current multilateral trade negotiations.

And then we want more Canadians to go global: to move beyond North America to the markets of the world.

That's the purpose of the \$94 million program announced recently by Prime Minister Mulroney - the program we call "Going Global".

It's a program designed to maximize our opportunities not only in the United States, but in the changing markets of Europe and Asia-Pacific.

As you all know, the winds of change are blowing in both Eastern and Western Europe.

In the East, communism is dying. And in the West, we are witnessing the creation of one giant European market.

Such change can mean risk - or opportunity.

Our "going global" strategy is designed to limit the risk and to maximize those European opportunities by helping Canadians prepare now for 1992.

And the Asian Pacific region is evolving rapidly as well.

By the turn of the century, Asia Pacific will contain 60% of humanity, 50% of global production and 40% of global consumption.

Today, the volume of Trans-Pacific trade between Asia and North America exceeds 300 billion dollars a year. By the turn of the century, Trans-Pacific trade is likely to exceed \$500 billion dollars.

Clearly, it is high time that we developed our own Pacific personality.

And through our Going Global strategy, we intend to do just that.

We will be strengthening our scientific and technological base through active partnerships;

We will be promoting a greater awareness of Asian countries in Canada by encouraging cultural and language studies - awareness of Japan and other nations which are part of the rich diversity of the Asia Pacific region.

We intend to promote a greater awareness of Canada in Asia Pacific, by supporting exchanges and Canadian studies programs; and

We will be pursuing an aggressive regional trade strategy, identifying specific market opportunities in Japan, the so-called 4 Tigers, India and elsewhere; and mounting promotional drives to translate those opportunities into exports.

In fact, I will soon be travelling to the first meeting on Pacific Rim Corporation, where Canada hopes to play a constructive role in promoting regional cooperation.

I believe our going global strategy represents a watershed in our trade development approach. For when you get right down to it, the message of going global is this:

In order to compete and win in the 1990's, Canadians must not only think globally - we must act locally all around the world.

In order to become competitive suppliers of value-added goods and services, we must not only produce such products - we must learn how to sell them.

In order to sell, we must know not only our products, but our customers.

And in order to truly know our customers, we must know and respect his language, his customs and his culture.

And that is why I believe I am looking out at Canada's secret trading weapon right this minute - our multicultural community.

Since 1945, Canada has become a true microcosm of the world.

More than 37 per cent of Canada's total population is of non-British and non-French origin.

Multicultural communities now make up the majority of people in every major urban centre west of Quebec, including approximately 70% of Toronto.

And 1/2 of our small businesses are now owned or operated by Canadians from multicultural backgrounds.

Our cultural diversity has not only made us a better, more interesting country. I believe it gives us a unique competitive edge in the diverse global marketplace.

In Eastern Europe for example, Canadians of Hungarian, Polish and Ukrainian descent should be of great assistance as we develop our economic ties during this period of unprecedented opportunity.

And there can be little doubt how useful Asian Canadians can and will be as we develop our Pacific personality. They are a formidable force already. But by the year 2000, they will be a force of one million skilled and dedicated Canadians who will be advancing our national interest.

So that, in a nutshell, is our plan to help Canadians go global.

- to use the GATT as the door to increased global opportunities;
- to use the free trade agreement as the key to our ability to compete at home and abroad;
- to help Canadians go global by targeting our efforts in the three mega markets of the United States, Europe and the Asia Pacific;
- to develop an outward-looking trading culture in our country, by helping Canadians to not only think globally, but to act locally; and
- to make sure that all our public policies - from tax to transportation -are part of the solution, not part of the problem.

That is our objective. And if we work together, I see no reason whatsoever why we cannot continue our climb into the front rank of nations, and build an even better and stronger Canada.

Thank you.