

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL H. WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE,
TO THE ANNUAL CONVENTION OF THE
CANADIAN EXPORTERS' ASSOCIATION**

**OTTAWA, Ontario
October 7, 1991**

It's a great pleasure to be here to help celebrate Canada's Export Award winners. There is a lot of work to do in building a renewed, more prosperous and united Canada -- it is good to look around and see so many strong shoulders to help carry the load.

As a nation, we are considering some dramatic new approaches for Shaping Canada's Future Together. These proposals are aimed at resolving some longstanding constitutional dilemmas, while also building the basis for a more effective economic union. Canada needs your participation for this bold new undertaking to succeed.

One of the reasons we are here is to celebrate success. Later this evening this year's Canada Export Award winners will be announced, and their names will be added to a distinguished roster of previous winners. All have won their spurs in the global marketplace -- no easy arena in the fiercely competitive new era of globalization.

But in a winner-take-all world, good is no longer good enough. Too much is at stake to be in any way complacent about declining competitiveness. After all, one out of four jobs in Canada depends on competing successfully in export markets.

For all the importance of trade to our national well-being, less than 100 of Canada's 30,000 exporting firms account for over half of our sales abroad. Only 32 per cent of manufacturers export in the first place. Clearly, more firms need to do their share in the vital task of creating employment at home by cracking the markets of the world. I hope that the Canada Export Award winners help to inspire more firms to look outward for future growth.

For example, the composition of world trade has shifted. Manufactured products grew from 45 per cent of total world trade in 1980 to 57 per cent by 1989. Yet, in Canada, manufacturing accounts for only 40 per cent of exports, and much of this is concentrated in the auto sector. Our exports of finished goods and services are increasing. However, while we rank eighth in exports of goods, in the fastest growing sector in the industrialized world -- services -- we are only twelfth in exports. And fully 42 per cent of Canadian exports are still raw, or minimally refined, materials. This still leaves us vulnerable to commodity price swings.

Traditional exporting techniques are increasingly being challenged by technology, rapidly changing markets and shortened product cycles. Competitiveness today is based on innovation, intensive use of knowledge, unrelenting attention to quality and a strong international orientation. In the face of these trends, and our low ranking in terms of future and outward orientation, it is evident that we have a major challenge to overcome.

With a world marching ahead of us in so many key areas, how can the federal government ensure that Canada keeps up? The short answer is that the Government can't. What it can do is provide the right kind of framework for renewal, one that will further unleash the entrepreneurial energies of all Canadians.

That is the course we have been on since 1984, when we began implementing the Agenda for Economic Renewal, which consists of a wide range of measures including deficit control, deregulation, privatization, tax reform and the free trade agreement (FTA). That is the course we are keeping with the new proposals for a more efficient economic union.

At every step along the way, we have consulted extensively with the Canadians -- particularly in the business community. That was a key concern of mine as Minister of Finance. Since taking on the twin portfolios of Industry, Science and Technology and International Trade, I have continued to listen.

The export community said that Canada needs a more focused approach to supporting Canadian businesses in their pursuit of global market opportunities.

Trade, technology and investment development activities need more co-ordination to avoid duplication and waste and to encourage simplicity. A clearer idea of federal objectives will also help companies formulate their own market development strategies more effectively.

A priority for us will be to refocus export and business promotion activities to enhance the existing emphasis on small and medium-sized enterprises. They comprise the majority of the potential exporters.

You all have learned how tough it is to get those export sales. Successful companies -- and nations -- have learned that one key to success in a competitive marketplace is the development of long-term strategic plans -- and partners. Such plans allow industries to chart and implement technological change. Strategic alliances with companies in other markets can open a wide horizon of business opportunities.

Such alliances can give Canadians access not only to marketing expertise but also to new technology and new applications of technology. Furthermore, such relationships can provide a solid foundation for the kind of long-term decision making needed to make investments in research and development (R&D) and new market development.

IAF Biochem already knows this. This small Canadian biotechnical company recently entered into a strategic alliance with Glaxo Holdings -- a British-based multinational. IAF Biochem has a

very strong R&D base and will gain access to Glaxo's marketing and technical power to bring IAF Biochem's leading-edge products to an international market.

In Vancouver, Quadra Logic Technologies (QLT) Inc. -- a world leader in photodynamic technology -- an anti-cancer therapy -- signed an agreement in late 1989 with the American giant, Cyanamid Company. This agreement will allow co-development and commercialization of new products. The new alliance has led to an innovative management technique, called "a tiger team," in which the two partners' selected "champions" bring together their expertise in manufacturing, marketing and clinical research.

Alliances can also be formed to exploit emerging market opportunities in areas such as the former Soviet bloc. For example, Alliance Medical Inc. was formed in 1989 to produce veterinary and human health care devices. This alliance is unusual not because of its purpose but rather because of its members. Established in Montreal, Alliance Medical is a joint Canadian-Hungarian-Soviet joint venture.

Business development in new markets depends not only on finding the right partners but also on having the right environment to work in. That is why one of the government's top priorities is the successful completion of the General Agreement on Tariffs and Trade (GATT) Uruguay Round, as well as the North American Free Trade Agreement (NAFTA).

Our protectionists have never accepted the proposition that people like members of the Canadian Exporters' Association would be able to take advantage of the opportunities created by the FTA. Well, they are wrong. You have done just that.

Canadian exports to the U.S. increased by 4.6 per cent in 1990 -- a healthy rate, given that both Canada and the U.S. were in a recession. Moreover, since implementation of the FTA, Canada's positive trade balance with the U.S. has widened, from \$14.2 billion in 1988 to \$17.4 billion in 1990.

The composition of our exports to the U.S. is also changing. Since 1988, exports of Canadian end-products have grown by \$4.0 billion. The following sectors have expanded sales to the U.S.: aerospace, industrial machinery, transportation equipment and specialty chemicals. Clearly, the FTA is helping speed Canada's transformation into a more competitive economy.

The FTA has also encouraged capital investment. In 1988, the year before FTA implementation, Canada had a net direct investment deficit of \$2.5 billion. Last year -- for the first time in 16 years -- we had a record net direct investment inflow of \$4.3 billion from all countries. Meanwhile, domestic business investment increased 15.9 per cent in 1988 and 7.9 per cent in

1989. The FTA has changed not only international investors' views of Canada, but also those of Canadian investors.

Canadian firms are showing they are confident they can compete in the U.S. -- at their request, two rounds of accelerated tariff reductions have been negotiated. The first round came into effect in 1990 and covered 400 items, or \$6 billion in two-way trade. The second round came into effect in July of this year, covering an additional 250 items and another \$2 billion in trade.

The requests for tariff acceleration reflect confidence not just in our competitiveness but also in the FTA dispute resolution mechanism. Over 95 per cent of Canada-U.S. trade is dispute free, a remarkable fact given that this is the largest two-way trading relationship in the world. Canada, like other nations, faces some very real protectionist threats in the U.S. Unlike other countries, Canada is shielded from most protectionist actions by the FTA.

When trouble does flare up, the FTA helps to localize and then eliminate disturbances. For example, the FTA process made resolution of the pork dispute possible, while it would not have been in an earlier era. Indeed, Canada's confidence in the process underlies our quite justified decision to abolish the impediments to competitive exports of softwood lumber.

There is a long history to lumber trade problems between Canada and the United States. In 1986, the Memorandum of Understanding (MOU) got both countries out of an emotionally charged dispute. It has now served its purpose and we believe that the rules governing lumber trade should be the same as rules governing all other trade.

The MOU was never intended to be permanent. It was intended to give our provinces time to make adjustments to offset the export tax. That is precisely what the majority of them have done.

Last Friday, the U.S. government informed us of their intention to launch a countervailing duty investigation of softwood products from Canada. The results of this investigation will be subject to the binding binational panel review under the FTA. In 1986, when the MOU was signed, Canada did not have this review mechanism available to it.

The United States Government has also indicated that it will require posting of a customs bond for exports of Canadian softwood lumber, pending the outcome of this investigation.

Such bonds will not affect exports of softwood lumber produced in Atlantic Canada and British Columbia. In other provinces, the level of bond will vary according to the level of tax previously collected. We believe that this bonding requirement runs counter

to the United States' bilateral and international trade obligations.

The Government of Canada will work closely with our provincial counterparts and the lumber industry to fight these actions. Furthermore, we will ask for the immediate establishment of a GATT panel to confirm our view that our timber pricing practices do not constitute a countervailable subsidy to Canadian lumber producers.

We want to resolve our differences on the issue in a manner that respects our mutual obligations and the mutual significance of the largest two-way trading relationship in the world.

The Uruguay Round of multilateral trade negotiations is Canada's current top trade priority. Because we have witnessed the effectiveness of liberalizing trade with the U.S., our most important market, we are redoubling our efforts to achieve a successful conclusion to the Uruguay Round. At the same time, we are seeking to open up new markets through the North American Free Trade Agreement talks.

In the pursuit of improved market access, the signing of the FTA was a major accomplishment. We are optimistic that we will emerge from the GATT negotiations with a stronger set of international trade rules, giving Canada increased opportunities in world markets.

The trilaterals with the U.S. and Mexico are designed to create a free trade area of 360 million people, which will offer further export potential for Canadian companies.

There are solid prospects for success in both the trilateral and multilateral forums. I am equally confident that we will see antiquated barriers to inter-provincial commerce fall here at home.

Today, Canada is at an historic turning point. The fundamental basis for our political and economic systems is being questioned as never before. In response, over the last few months, the Government of Canada has carried out extensive constitutional consultations across the country.

The Government recently announced a crucial initiative which will help reshape many of our political structures. It addresses many of the concerns people in all parts of the country expressed during the consultations.

Whether they're from Quebec, Western Canada, Ontario, the North or Atlantic Canada, all Canadians have made it clear they want to have a voice in this important task before us.

The proposals the Government announced would see changes to our political institutions and to the balance of powers between the federal and provincial governments, and included are some far reaching proposals aimed at making our economic union work more effectively.

More than a few commentators are saying that much hinges on acceptance of the proposals intended to shape a new economic union that will serve as the basis for a more prosperous future. The linkage between Canada's prosperity and national unity is widely accepted -- a very positive development indeed.

Our program for enhancing the mobility of people, goods, services and capital within Canada is key to strengthening our economic union.

In an era of growing international business linkages, Canada simply has too many barriers to trade within the country.

Our ability to compete in global markets is hindered by antiquated restrictions to the free functioning of our internal market. So we propose that, by 1995, "section 121 should be modernized to enhance the mobility of persons, capital, services and goods within Canada...."

Two key provisos are attached to this idea. First, there should be no slackening in current efforts to remove the some 500 existing barriers to interprovincial trade. And, second, there are legitimate circumstances for governments to maintain some barriers, such as reasons of national interest, regional development or equalization.

The modernization of section 121 is part of a range of proposals to strengthen the economic union by giving Parliament "a new power to make laws for the efficient functioning of the economic union" and by harmonizing the fiscal policies of all Canadian governments, along with the nation's monetary policy. Canadians are concerned about the lack of co-ordination of federal and provincial government policies.

The federal proposals respond to this concern by suggesting enhanced federal-provincial co-operation in managing the economic union through a Council of the Federation. Furthermore, the federal spending power would be controlled by ensuring that it not launch any new shared-cost program without the agreement of seven of the ten provinces constituting 50 per cent of Canada's population. Any province could opt out of the program, with compensation.

I urge Canadians to consider the overall balance struck in this package of proposals. I believe that, together, the package

works well, but no single element can be fully understood without considering the whole.

If the process of constitutional renewal is to succeed, the Joint Senate and House of Commons Committee will need the widest possible cross section of Canadian views. The Joint Committee will use these views to craft the changes Canadians feel would make constitutional renewal a reality.

I want to encourage all Canadians to reflect carefully on these proposals and to participate in the Committee hearings which are now getting under way. It is essential that we move beyond this constitutional challenge so that we can address other pressing issues. Not least of these is the competitive position of our country, which, after all, provides the support for our standard of living.

And that is why the Government of Canada will soon launch the Prosperity Initiative, which will serve as the focal point for efforts to renew and enhance our competitiveness.

You have the kind of insights needed to enrich this process, which will be tackling the five key aspects of fostering competitiveness.

First comes developing a learning culture, to renew the skills of Canadians.

Tackling the science and technology challenge is a second priority.

We also need to increase the availability of investment capital in Canada.

A fourth component of the Prosperity Initiative is upgrading the efficiency of our domestic market -- because section 121 is unfortunately not the only outmoded law or regulation with which consumers and suppliers must deal.

Opening opportunities for trade is the fifth area in which we can act to improve our ability to compete.

I am convinced that, together, Canadians can develop new and essential competitive tools. I hope that the process of consultations will provide Canadians with the means to reach a consensus both on the nature of the issues facing us and on a plan of action to address them.

The federal government sees its role in this initiative as one of a facilitator and catalyst for developing this consensus. With the active participation and leadership of the private sector, labour and other important elements of our society, meaningful

consultations will be possible. I invite your participation in these consultations and look to you for support of the plan of action which they develop.

Canadians have a great stake in our continued prosperity. Improving our competitiveness means a higher standard of living. This, in turn, will provide us the means to be a caring society.

A society that can secure the social programs we see as essential to our being Canadian.

A society that can continue to support the arts and culture which helps us to understand ourselves.

A society with the means, and the will, to make our education and technologies second to none in the world.

Many of you have demonstrated that co-operation and competition are not mutually exclusive. On the contrary, the capacity to do both is essential to adjusting to the challenges of the global marketplace. You have shown us -- and the world -- that change and innovation can secure new prosperity. For Canadian companies trading in an evermore competitive world environment, strategic alliances and innovative trade development techniques are not options. The reality is that learning and adopting such techniques, for many companies, is a matter of survival. Our international competitors are rapidly learning these lessons. It's time for Canadians to learn them, too. It's time for Canadian business to act.

A recent United Nations study ranked Canada as the second best place to call home. I think in our hearts we all know that it is second to none. For Canadians to maintain -- and improve -- this ranking, we must seize the historic opportunities before us. The Government has a responsibility to lead, but all Canadians have a stake in securing our future as a united and prosperous country. That is why it is so important for all of you to participate both in the renewal of our Constitution and in the prosperity initiative.

Let's all work together to build a cleaner, more prosperous and united Canada for our children.

Thank you.