

THE GLOBAL ECONOMIC AGENDA

A CANADIAN BUSINESS PERSPECTIVE
ON THE OCCASION OF A MEETING BETWEEN
CANADIAN AND JAPANESE BUSINESS LEADERS

OTTAWA and TOKYO
May 27, 1991

This paper contains some brief discussion points to initiate a roundtable exchange between Canadian and Japanese business leaders meeting at the Canadian Embassy Chancery in Tokyo, May 27, 1991.

The roundtable exchange is preliminary to the participants being joined at lunch by The Right Honourable Brian Mulroney, Prime Minister of Canada.

Appendix A contains the agenda for the meeting. Appendix B contains a list of both Canadian and Japanese participants. And Appendix C describes the Business Council on National Issues to which the Canadian Business delegation is attached.

Canadian business leaders welcome this opportunity to meet with our Japanese counterparts, and together with you look forward to sharing our respective views with Prime Minister Brian Mulroney, who kindly has agreed to join us at lunch today.

The presence of the Canadian delegation in Japan this week in large measure is motivated by the opportunity to participate in the inauguration of this magnificent new Embassy Chancery. We are grateful to Ambassador Taylor for hosting this very first of what we know will be many senior-level exchanges between the economic leaders of Canada and Japan, in this new Chancery, in the years to come.

Our presence here in Tokyo, and later this week in Osaka, also provides us with an opportunity to acknowledge the importance of the Canada-Japan political and economic relationship, and to reaffirm our commitment to further strengthening the relationship for the advantage of our two countries. Testimony of the commitment of all Canadians to this goal is exemplified in a concrete way by this new facility, which Prime Minister Mulroney will inaugurate formally this evening in a celebration we look forward to sharing with you.

As business leaders, we also look forward to offering further evidence of the priority which we accord to the increasingly close relationship between our two countries. In Osaka, on Wednesday evening, we will present to Prime Minister Mulroney the recently completed report of the Business Council on National Issues on the Canada-Japan economic relationship. Entitled Beckoning Opportunities -- Towards a Stronger Canada-Japan Economic Relationship, the report offers a Canadian perspective on Japan and discusses ways in which economic ties between our two countries can be expanded. In part, it draws on the findings of a Business Council Mission to Japan last autumn led by the Council's Honorary Chairman, David Culver.

In offering our views on the bilateral economic relationship, we realize that we are building on a foundation already established as a result of the contributions of our respective business communities. We refer to the annual meetings of the Canada-Japan Business Committee which most recently concluded a productive exchange in Halifax, Canada.

Today, we wish to focus our discussions on a subject which is of enormous importance to both Japan and Canada -- the global economic agenda. To launch a roundtable exchange among us, we offer brief observations on several key issues which we know to be of concern to both you and us.

Let us begin with the INTERNATIONAL ECONOMY. We are meeting at a time of some uncertainty in the international economic environment. The decisive outcome of the Gulf War spared the world from the potentially catastrophic economic consequences that many feared. However, not all the major industrial powers are in good economic health. Among the G-7 countries, Canada, the United Kingdom, and the United States are faced with recessions, although expectations are that all three countries will experience a modest recovery in the second half of 1991. Growth is slowing in France and Italy, but in Japan and Germany, the economies continue to expand. We note in particular that Japan is now in its 54th month of continuous expansion.

Overall, the International Monetary Fund expects world economic growth to slow to 1.2 percent in 1991 compared to 2.1 percent in 1990, before rising to 2.9 percent next year. A similar growth trajectory is predicted for the industrial countries: output growth of 1.3 percent this year and 2.8 percent in 1992, with an average rate of expansion of 2.75 percent over the 1991-96 period as a whole.

In Canada, the cyclical downturn we are now experiencing -- following an unbroken period of growth spanning seven years -- is more severe than expected. However, positive indicators are beginning to emerge; notably, underlying inflationary pressures are easing (despite the recent launch of the Goods and Services Tax), short-term interest rates have fallen by more than 450 basis points since last May, and long-term rates are down some 170 basis points since their September peak. Adjustments to the Canadian economy are well underway since the passage of the Canada-United States Free Trade Agreement, and federal government and IMF forecasts are suggesting that growth in Canada will rebound to 3.5 percent in 1992.

Business leaders throughout the G-7 have a shared interest in maintaining a disciplined approach to monetary and fiscal policy. The overall goal of our respective governments and business communities must continue to be non-inflationary growth with lower real rates of interest. The temptation to resort to overly expansionary macroeconomic policies should be resisted. Failure to do so will bring predictable results -- easier money will drive short-term nominal interest rates down for a time, but at the expense of higher long-term nominal and real interest rates and stronger inflationary pressures. In a number of countries -- especially Canada, the United States, and Italy -- an appropriate monetary policy must be accompanied by more vigorous efforts to reduce the size of the public sector debt.

Also essential to global economic stability in the 1990s is continued progress towards reducing external imbalances among the major industrial economies. For both the United States and Canada, achieving lower current account deficits

requires that the public sector curb its appetite for debt and cease absorbing such a large share of national savings. For its part, Japan can contribute towards an easing of external imbalances by building on the very impressive steps already taken to make the Japanese economy more open to imports and foreign investment.

As we look to the future, we in Canada believe it is critical that public policies throughout the industrialized world concentrate on freeing up capital for productive use. The needs of the developing world are well known. Although foreign debt remains high in many developing countries, there are encouraging signs that market-oriented economic reforms are gaining favour. Recent economic trends in Mexico and several other Latin American countries are a good example. What is clear is that economic renewal in the developing world in the 1990s will rest heavily on the availability and sensible deployment of private capital. Major investment also is required to help reconstruction of the Eastern European and Soviet economies. Then there is the Middle East and the cost of economic rebuilding following the Gulf War.

Let us turn now to the subject of INTERNATIONAL TRADE. Lower real interest rates and high world savings are essential to renewed growth and revitalization for both industrial and developing countries. But expanding trade continues to be the other cornerstone of prosperity. The GATT estimates that the total volume of world trade rose by more than 5 percent in 1990 -- exports, in other words, are likely to have risen more than 50 percent faster than global output for the fifth consecutive year.

But trade expansion, with all the benefits that it carries in its wake, depends on keeping the forces of protectionism at bay. This in turn depends on multilateral co-operation and respect for the rule of law in the global economic arena. As was the case with our counterparts in Japan, Canadian business leaders were greatly disappointed with the breakdown in the Uruguay Round discussions in December, and we, like you, have applauded their resumption. Given Canada's high dependence on exports and our country's historical commitment to multilateral trade liberalization and the GATT, you will readily understand why the Canadian business community so fervently supports a genuinely successful outcome for the Uruguay Round. Our wish is to see the Round produce the following results:

- o an updated and more effective GATT institutional and legal structure, including streamlined dispute-settlement procedures;

- o a reversal of the use of non-tariff barriers and various "grey area" measures which operate outside of effective GATT supervision;
- o further reductions in tariffs, including tariffs maintained by newly industrialized countries that continue to enjoy rising real incomes and rapid growth of manufactured exports;
- o improvements to the current GATT rules on anti-dumping, subsidies and countervailing measures, and safeguards;
- o articulation of specific rights and obligations for the "new" areas of trade in services, trade-related intellectual property rights, and trade-related investment measures;
- o and most importantly, significant steps towards liberalization of world trade in agriculture.

We are anxious to hear the views of our Japanese colleagues on the elements of a successful Uruguay Round and the future of the multilateral trading system.

Another subject that we know to be of concern to both Japanese and Canadian business leaders is the question of regional trading blocs. The European Community, as it moves to complete implementation of its 1992 Single Market initiative, is sometimes singled out as a problem. Others point to the rapid growth in intra-Asian trade with Japan at its centre. Still others suggest that the Canada-United States Free Trade Agreement, which possibly will be extended to include Mexico, is a reason for concern.

Canadian business leaders remain firmly committed to the primacy of a multilateral trading order and strongly oppose the idea of trade being dictated by a group of regional blocs. Our thinking is best illustrated by our approach to the Canada-United States Free Trade Agreement and the forthcoming "trilateral" discussions involving Mexico. Any arrangement must be consistent with both the spirit and the law of the GATT, and where possible, should advance the reach of liberalization beyond the GATT.

We conclude our thoughts on the trade issue with a comment on the Japan-United States relationship. For some years, now, Canadian business leaders have been concerned about frictions in the Japan-United States relationship which at times have threatened to destabilize the global trading order. One element of that friction has been the current account imbalances between the two countries. Measured in dollars, the imbalances have been declining steadily since their respective peaks in 1987. In the United States, the third consecutive year of export growth helped lower the current account deficit to \$99 billion in 1990, a decline of nearly 40 percent over the three year period.

While we in Canada welcome this trend, we are aware that there remains considerable potential for Japan-United States trade conflict in the future. As an important economic partner of both the United States and Japan, and as a country with a relatively stable and balanced relationship with both, Canadians will continue to use our good offices to promote the closest possible Japanese-American co-operation.

Canada and Japan have a shared interest in a stable and prosperous global economy. As business leaders, we have a responsibility to encourage our respective governments to pursue policies aimed at achieving international stability and growth, even when these seem to conflict with narrow or short-term national goals. As business leaders from wealthy nations, we must also bear in mind the necessity of providing more opportunities for the three quarters of humanity who live in the developing world to enjoy the benefits of global economic exchange.

We on the Canadian side very much look forward to discussing these subjects with our Japanese counterparts.

APPENDIX A

AGENDA

**SUMMIT WITH JAPANESE BUSINESS LEADERS
AND ATTENDANCE AT LUNCH OF
THE RIGHT HONOURABLE BRIAN MULRONEY, P.C., M.P.
PRIME MINISTER OF CANADA
FOLLOWED BY INAUGURATION OF THE NEW CANADIAN
EMBASSY CHANCERY, TOKYO, MAY 27, 1991**

- 9:00 a.m.** Arrival of Business Council delegation at the Canadian Embassy Chancery for pre-Summit meeting in the company of Ambassador Taylor and Minister Jon Swanson
- 10:15 a.m.** Welcome of Japanese and Canadian business leaders by Ambassador Taylor
- 10:30 a.m.** Beginning of Business Summit
- o Introduction by **David M. Culver**, Honorary Chairman, Business Council on National Issues
 - o Presentation by **Thomas P. d'Aquino**, President and Chief Executive, Business Council on National Issues
- 10:50 a.m.** Roundtable discussion involving Japanese and Canadian participants
- 12:00 noon** Conclusion of Roundtable discussion and arrival of **Prime Minister Mulroney**
- 12:05 p.m.** Introduction of **Prime Minister Mulroney** by **David M. Culver**
- 12:07 p.m.** Informal remarks by **Prime Minister Mulroney** followed by lunch, and further Roundtable discussion
- 1:25 p.m.** Prime Minister is thanked by **Marshall A. Cohen**, Co-chairman, Task Force on Foreign Affairs and the Global Economy Business Council on National Issues
- 1:30 p.m.** Business Summit concludes
- 3:00 p.m.** Messrs. Culver, Cohen, d'Aquino et al meet with media representatives at the Hotel New Otani

- 3:45 p.m. Conclusion of news conference
- 6:00 p.m. Private Gala Concert at Embassy Chancery at invitation of
Prime Minister Mulroney
- 7:00 p.m. Reception and inauguration of new Chancery by **Prime Minister
Mulroney**

APPENDIX B
PARTICIPANTS

Albert D. Cohen
Chairman and Chief Executive Officer
Gendis Inc.

Marshall A. Cohen
President and Chief Executive Officer
The Molson Companies Limited

David M. Culver
Honorary Chairman
Business Council on National Issues

Thomas P. d'Aquino
President and Chief Executive
Business Council on National Issues

Koichiro Ejiri
Chairman
Mitsui & Co., Ltd.

Cecil S. Flenniken
Chairman
Canadian Pacific Forest Products Limited

Masamichi Fujimori
Chairman
Sumitomo Metal Mining Co., Ltd.

Gaishi Hiraiwa
Chairman
The Tokyo Electric Power Co., Inc.

Josei Itoh
President
Nippon Life Insurance Company

Yukio Kasahara
Chairman
Nippon Mining Co., Ltd.

Yusuke Kashiwagi
Chairman
The Bank of Tokyo, Ltd.

Shigekuni Kawamura
President
Dai-Nippon Ink & Chemicals

R. John Lawrence
Chairman and Chief Executive Officer
Burns Fry Holdings Corporation

Hartland M. MacDougall
Chairman of the Board
Royal Trust
and
Chairman
The Japan Society

Ronald N. Mannix
Chairman
Manalta Coal Ltd.

Masaya Miyoshi
President and Director General
Keidanren

Shinroku Morohashi
President
Mitsubishi Corporation

Kazuo Nukazawa
Managing Director
Keidanren

Alfred Powis
Chairman
Noranda Inc.

James H. Taylor
Ambassador of Canada to Japan

Shoichiro Toyoda
President
Toyota Motor Corporation

APPENDIX C

THE BUSINESS COUNCIL ON NATIONAL ISSUES

The Business Council on National Issues is the senior voice of Canadian business on public policy issues in Canada and abroad.

A non-partisan and not-for-profit organization, the Council membership is composed of the chief executive officers of 150 leading Canadian corporations. With about 1.5 million employees, member companies administer close to \$1 trillion in assets.

The Council engages in an active program of research, consultation and advocacy and its focus nationally is to help build a strong economy, progressive social policies, and healthy political institutions. The Council's global mandate is to ensure that Canadian chief executives play an influential role in the international economic, trade, and foreign affairs domains.