SPEECH BY THE PRESIDENT OF THE BOARD OF TRADE, THE RT HON IAN LANG MP, TO THE CANADIAN CLUB AND THE BRITISH-CANADIAN CHAMBER OF TRADE AND COMMERCE, TORONTO, 10 NOVEMBER 1995

"Competing In The World Market"

I am delighted to have this opportunity to speak to such a distinguished audience from the industrial and commercial heartlands of Canada. It is appropriate that we should all come together in Canada's "place of meeting" [the meaning of Toronto in North American Indian].

Coming to Toronto has special resonances for me as a Scot. The ethnic, cultural and business links between Canada and Scotland go back a long way. And I understand the experience of living close to a bigger and - if you believe the English - a more powerful neighbour.

The need to trade with our neighbours is a reality of the modern world. Those who do not compete in the global market-place face the prospect of relative decline. The UK has learnt this lesson and implemented a range of policies to enhance the competitiveness of our industries. These are already bearing fruit. Throughout the 1980s output, investment and manufacturing productivity grew faster in the UK than in either France or Germany.

I know that the new Premier of Ontario is keen to remove barriers to business in the Province. I wish him well in his efforts. We, in the UK, have been engaged in a similar process. There have been three main planks in the programme to make ourselves more competitive: privatisation, deregulation and a range of policies to create a business-friendly environment and to encourage free and open trade around the world. Perhaps I might tell you something of that today.

Let me start with privatisation. Since 1979, the British government has privatised 48 major businesses, setting free household names such as Rolls Royce, British Airways, British Telecom and British Steel to compete in the private sector. The best indicator of the success of these privatisations is the benefits they have brought consumers, both commercial and private. British Gas has lowered its prices by 10% in real terms over the last five years with further reductions expected as our domestic market is opened further to competition; domestic electricity prices are down 8% in real terms over the last two years. British Telecom's main prices are down more than 35% in real terms since privatisation. More importantly, over 95% of its public phone boxes now work!

These price reductions have often been combined with real increases in capital investment. British Telecom has invested £22 billion since privatisation. British Gas investment has more than doubled in real terms since it was privatised. Privatisation increases business efficiency, through exposure to competition or the change in attitudes which follows when employees know that the success of their company depends directly on their efforts. And higher standards of efficiency help keep costs down and so help companies compete. To complete the picture, industries which, when in nationalised ownership, cost the taxpayer £50 million per week in support and subsidy, now yield over £50 million per week to the Exchequer in tax revenues.

As well as increasing the incentives to business efficiency, government has a role to play in ensuring that business has an uncluttered, clear and effective framework of law in which to operate. Under our Deregulation Initiative we last year concluded a Government-wide review of all regulations affecting business. As a result, over 1000 regulations have been earmarked for repeal or amendment. Some will be simplified. Others will be revised to cut down on paperwork. And some will be removed from the statute books altogether. It is our aim to put one deregulation order before Parliament every week that it is sitting. But it is not enough to look at current regulations. It will also be important to ensure that new regulations are drafted with an eye on their likely impact on business. In this way, government can help businesses get on with their real work. I wouldn't claim we have got this problem completely beaten - the price of deregulation is eternal vigilance - but we are heading in the right direction.

There are many other steps governments can take to create a business-friendly environment. In the UK in the last two years these steps have been brought together in an annual audit of the UK's competitiveness, known as the Competitiveness White Paper. The White Paper describes our policies in the macroeconomy, in education and training, employment and management, business support and the machinery of government. Our overarching aim is to promote a genuine partnership between government and industry and create a culture of continuous, incremental improvement in everything we do. This is the only way to keep up with the pace of change in the global market.

An illustration of our efforts to promote a culture of excellence is our new national benchmarking service. We are planning a scheme that will make it possible for firms to get an objective assessment of their performance and a realistic picture of how they compare with the best companies in their class. This will give businesses an indication of where they need to improve and new standards of excellence to aim for.

A measure of the UK's competitiveness is its success in attracting inward investment. The UK is the number one location in the European Union for Canadian, US, and Japanese firms. In 1994/95, over four hundred foreign-owned companies from 30 countries decided to invest in the UK, creating or safeguarding almost 90,000 jobs. Over 250 Canadian companies have set up in the UK, with investments valued at 12 billion Canadian dollars - over 44% of all Canadian investment in Europe. Around 40% of all US investment in Europe is in the UK, and over 40% of all Japanese investment. Northern Telecom, Videotron, Ford, Compaq, Siemens, and Fujitsu are just a few of the companies which have decided to make major investments there in recent months. We do not discriminate against foreign ownership: all companies incorporated in the UK are treated as British.

Why do they invest in the UK? Companies tell us they are attracted by our flexible working environment, low labour costs, easy access to European markets, and excellent telecommunications and transport infrastructure. In the words of BMW's Chairman, "structural change has made Britain by far the most attractive place to invest in Europe".

I now want to turn to our foreign markets. Government has a crucial role in helping business to compete in the world market by providing the right export promotion services and breaking down barriers to trade.

Britain was built on trade. We now sell more goods and services abroad than ever before. We export more per head than Japan or the US. This success is not confined to our traditional markets in Europe and North America. We are also making inroads into the fastest-growing markets in the world. The South East Asian market tripled in size between 1982 and 1993. But UK exports to the region grew even faster, outpacing German and French exports.

The fastest-growing markets can also be difficult ones for some of our companies to penetrate. It is also true that firms which export are often those which need least government help. We have tried to take account of these realities in the organisation of our export promotion services. Our top 80 markets all have dedicated staff and we have seconded over 100 high-calibre business people from the private sector to act as export promoters, seeking out new business opportunities. Ministers have led trade missions to the emerging markets, including a mission to China earlier this year which was the UK's biggest ever. And our network of business support services around the UK is designed to help new and inexperienced exporters in particular.

But our export promoters will not get very far if we do not also try to break down barriers to trade. This can be done by getting World Trade Organisation commitments effectively enforced and by working for new commitments where these are needed.

Let me give some examples of what this means in practice. The UK is working with the European Union to challenge Japan in the WTO over the discriminatory taxes faced by UK whisky producers in the Japanese market. We appreciate the parallel action being taken by the Canadian government over this problem. The UK and Canada worked hard to secure the WTO Financial Services agreement, which will open the door for business in both established and new markets. Both our countries are now working to apply WTO disciplines to the telecommunications and maritime services sectors.

In addition to these negotiations, the UK believes there is scope for WTO members to work for new commitments in several areas. Despite the success of the Uruguay Round in reducing tariffs, many high tariffs remain. In Canada, these include tariffs on apparel and footwear of up to 30%. We would like to make further progress in removing these. Much more work needs to be done on the simplification and harmonisation of rules of origin, too. Product standards are another candidate for greater harmonisation. Here we might give priority to standards of particular importance to international trade. We are also keen to export some of the principles of our Deregulation Initiative to other countries, so that regulatory systems are less and less an obstacle to market access. More countries should sign up to the Government Procurement Agreement - and they should keep to their obligations when they do. We need better disciplines on the use of subsidies. And with the development of ever more sophisticated technologies, we must develop more measures to protect intellectual property. These are all potential subjects for discussion at the first Ministerial Conference of the WTO to be held in Singapore in December 1996. The UK and

Canadian Governments are already talking together about the preparations for this conference.

It would be wrong of me not to take this opportunity to mention some barriers to trade with Canada. Canada has always been one of our most important trade and investment partners. The UK is the second largest investor here, after the US. Our exports to Canada last year were worth nearly £2 billion. And the UK is Canada's third largest trading partner. The majority of this trade is trouble-free, but there is always room for improvement. We would like to see the removal of provincial restrictions on the sale and distribution of alcoholic beverages, the removal of foreign ownership restrictions in Canadian legislation on privatisation and the repeal of the provisions in the Canada Income Tax Act which discriminate against foreign-owned publications. In the opposite direction, I know that Canadian Ministers have concerns about barriers in the European market. I want to assure you that Britain is working hard within the European Union to promote the principles and practice of open, free trade wherever possible.

Looking further ahead, the British government is committed to the ultimate objective of global free trade, including free trade across the Atlantic. Neither of these objectives will be easy to achieve, but they are worth striving for. Canadian Ministers, including Roy MacLaren, whom I had the pleasure of meeting recently in London, know this well, and have played an invaluable role in promoting the debate on closer transatlantic trade relations. It has been suggested that there should be a transatlantic free trade area. We believe that a free trade area that met WTO rules would be hard to achieve given difficulties over trade in sensitive sectors such as agriculture. But free trade across the Atlantic should be our long-term goal. This is not an exclusive aim. We should not ignore the need to improve access for our own exports to the rapidly growing economies of Asia and the developing world. We should therefore work towards transatlantic free trade - the term I used in a speech in Washington last Wednesday was "Transatlantic Open Markets" - in conformity with WTO rules, and in parallel with efforts to liberalise trade on a multilateral basis with other parts of the world. On these matters Canada and the UK think very much alike.

These policies at home and abroad are all about helping business to compete in the world market. They are already bearing fruit in the UK. We are witnessing a steady recovery involving a combination of growth and low inflation which too often has eluded us in the past. Last year we grew significantly faster than the G7 average, and of the G7 members, only you are expected to grow faster than us this year. Unemployment in the UK has fallen for 25 months in a row. Underlying export volume was at record levels in the three months to August. And underlying inflation has been below 4% for 3 years - something we have not seen in the UK for over 3 decades. We still have some way to go to compete with the best in the world. But we are going in the right direction. And, with Canada, we are in good company as we strive to open up world markets and create conditions for truly global competition.