

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 jobs. Some 27 per cent 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.

However, 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, and they cannot be wished away. It is for these reasons that from the time of the Great Depression successive Governments have 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 countries of the world. 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 really define the Canadian way of life.

Pragmatism and realism have led us to initiate a two-track trade policy made up of bilateral one-on-one 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. I would like to review some of the realities behind this two-track approach.

In the 40 years since the formation of the GATT, the international trading system has changed. Four events stand out. First, there was the formation of the European Economic Community and many other small regional trading blocks, such as the ASEAN block, the Australia-New Zealand pact and the European Free Trade Association. Second, there was the dramatic rise of Japan as a major economic power. Third, there was the emergence of certain newly industrialized nations such as South Korea and Brazil. The fourth event was 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.

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 into 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. For instance, the last round, 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 super-powers. Our interests are allied with other resource-based producers. This was demonstrated by the pivotal role that Canada played by putting agriculture on the agenda of the GATT negotiations at Punta del Este, Uruguay. At the same time we have common interests with the largest trading nations. We are a member of the Quadilateral, 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 in Uruguay. We played an active role in co-ordinating our positions for the GATT negotiations. So there should be no doubts that we are an important member of the multilateral trading community. There should be no mistaking this Government's commitment to the GATT. We are an active, dynamic and leading player in the GATT. We are absolutely committed to the General Agreement and to the Uruguay Round.

However, in reaffirming our commitment to the GATT we must realize that it alone cannot protect all our interests. The vast majority of our exports go to one national market, that is, the U.S. market, which now takes 78 per cent of all our exports. So 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 to enhance our access to U.S. markets. 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 trade laws in the U.S. at the disposal of any interest group that wants to bring an action against Canada. Since 1980, well over 500 complaints have been brought forward in the U.S. These cases have become increasingly complex and have spawned an unprecedented number of appeals. The proliferation of trade complaints in the past five years has caused grave concern to Canada. These cases complicate investment decisions, because to be successful Canadian producers need security of access to foreign markets.

If the rules keep changing, then that security is jeopardized and diminished. However, what is equally important is a disturbing reluctance in the U.S. to accept the verdict when U.S. interests do not win a case. We see that in the softwood