

These countries will provide the growth markets of the 21st century. They will offer new opportunities to countries like Canada and Australia. They will also present new challenges because they will compete with us.

For our two countries, one of our immediate challenges is to further diversify our economies. Although Canada has in many respects an impressive and varied modern economy, many parts of the country - including my own - are heavily dependent upon international commodity markets. Like Australia, the decline in the terms of trade for our natural resource and agricultural exports has put pressure on us to diversify. But our economies are dynamic and the manufacturing and services sectors will be increasingly important to us both. These sectors must be internationally competitive, and the standard for judging competitiveness may well be Japan and Korea, or the other Asia-Pacific nations, not Europe or the United States.

You will all be familiar with the efforts of your government and mine to come to grips with the serious problems that plague the international trading system. There is no doubt in recent years its effectiveness in governing fair trade in goods has been seriously eroded.

As for international agricultural trade, the trading system - never very strong in the first place - is now in a crisis. As I have said before, if you want to see what the absence of effective rules would do to international trade in goods, you need look no further than trade in agriculture.

Two hundred years ago when the first wave of British settlers reached Australia, governments could develop their economic policies in isolation from the international economy. That time is now long since past, no government can adopt policies without taking account of their impact on the ability of domestic producers to compete internationally. Unfortunately, some governments have gone further. They have adopted policies that have artificially improved their producers' ability to compete. Once again, agriculture is the leading example.

When it adopted the common agricultural policy thirty years ago, the European Community sought greater self-sufficiency. Unfortunately for the rest of us, its policies have been successful beyond anyone's wildest dreams. I need hardly remind Australians that one of the most significant developments in world markets in the last