

If such a system is allowed to develop - untempered by a strong set of open, global trade rules - the destructive and fruitless beggar-thy-neighbour policies - which we have experienced with states in the past - will simply be replaced by similar policies between regions. Not only does this not make economic sense, it also presents the prospect of trade wars spilling over into political and security areas.

That is why the Uruguay Round of world trade negotiations must succeed.

However, it is also clear that the economic relation between North America and the Pacific poses special challenges which may well require solutions which go beyond the universal structures we are trying to build through the Uruguay Round.

One particular problem is the massive trade imbalance between the United States and Japan. One can argue indefinitely - and unproductively - about who is more to blame for that trade imbalance. But the point is that it exists, that it poses real dangers to the world trading system and that it may pose a threat, indirectly, to regional security. One telling fact alone gives cause for concern: recent polls show that the American people consider Japan to be a greater threat to US security than the Soviet Union.

Japan and the United States have decided to tackle their trade problems bilaterally. We are pleased that just two weeks ago, they announced the conclusion of their Structural Impediments Initiative. That initiative was based on the recognition that there are peculiar problems based in national systems, cultural habits and internal practices which are not normally addressed through multilateral trade negotiations. We hope this approach succeed. But bilateral deals can pose risks for countries not at the table; particularly for a country as open and dependent on trade as Canada. We have made it clear to both the Japanese and the Americans that their process should not create new problems for Canada. Their initiative should solve trade problems not transfer them, and we are confident both these nations understand our concerns, and share them.

It is Canada's strong view that the most solid basis for a lasting solution to trans-Pacific trade problems is an open, stable and free trading environment, a trading environment regulated by clear rules, fairly applied and comprehensively observed.

I am sure our trading partners share this view. That is why one of the clearest messages coming out of the first ministerial meeting of the Asia-Pacific Economic Co-operation Forum in Canberra last November was a ringing endorsement of the need for a successful Uruguay Round.