

advanced developing countries to assume greater obligations and to take measures of liberalization commensurate with their state of economic development. At issue here are the implications for both the developed and developing countries of not reaching agreement on the difficult question of "graduation", and of prolonging a trading system wherein the benefits of special and differential treatment accrue to those developing countries which increasingly need it at least.

As the most advanced of the developing countries continue to gain in economic strength, and as others join their ranks, the impact from their having derived disproportionate preferential benefits will increase for developed and developing countries alike. With respect to the latter, the advanced developing countries will likely attract investment away from lesser developed countries, will dominate intra-LDC trade, and, to the extent that developing countries maintain their solidarity in the North-South dialogue, may well have a dampening effect on the future willingness of the developed countries to accede to the demands of the LDC's as a group. As regards the developed countries, and especially their need to adjust constructively to the emergence of the newly industrializing countries, this will be more difficult politically if domestic interests perceive themselves as having to adjust not only to a change in comparative advantage, but to import competition which unfairly benefits from unwarranted preferential treatment.

As part of an attempt to encourage business confidence, and as a signal to both the lesser- and most-developed of the developing countries that "differentiation" is an issue with far-reaching implications, the international community will want to examine appropriate means of ensuring that all countries assume international trade obligations commensurate with their state of economic development.

Japan's role

During discussions on structural adjustment and the alignment of macro-economic policies at the Tokyo Summit, the role of the Japanese economy came under implicit scrutiny. Japan's global trade surplus, exceeding \$25 billion, has resulted in strong pressures from both the EC and the U.S. for an increased contribution from Japan towards the achievement of greater bilateral and international equilibrium. The emphasis has been on securing more effective Japanese stimulation of domestic demand, together with greater liberalization of the Japanese market. While the Japanese growth rate has fallen short of their undertaking at the Bonn Summit, the main concern of Japan's major trading partners, including Canada, has been market access, without which increased domestic demand in Japan loses its relevance. The Japanese in turn point to: steps they have already taken to meet others' concerns; the domestic political

constraints upon the degree of flexibility they can be expected to show; the tradition of hard work and sophisticated marketing to which they credit their success; and (implicitly) the present and future vulnerability of their resource-dependent economy to external forces beyond their control. Although Canada places a high priority on obtaining market access in Japan for a higher proportion of processed and manufactured exports, its over-all trade surplus with Japan places it in a different position from the other Summit participants.

The Tokyo Summit was neither the time nor place to single out one Summit participant for attention or to press bilateral matters. It offered an opportunity, on the other hand, to stress the need for avoiding basic structural imbalances in the economic system, to welcome any contributions Summit countries might make to that end, and to reflect concern for the international system as a whole if it must sustain for much longer the maladjustments to which it is currently subject. It was also an occasion to recall that unilateral action by a Summit participant to restrict another's imports would be unfortunate politically as well as economically for both parties, and would likely entail adverse consequences for third parties through trade diversion.

Canadian interests

Given the nature of the Canadian economy, our position relative to the "Big Three" trading entities, and the emergence of newly industrializing countries with a growing capacity to compete with us domestically as well as in third markets, Canadian interests are served by an open international trading environment characterized by effective multilateral disciplines and non-discriminatory trade rules which work. This affords the best means of advancing Canada's basic trade interests, namely: the expansion of export opportunities for Canadian high-technology goods and processed industrial materials; the promotion of long-term and stable primary export markets on an internationally competitive basis; and the development of a competitive domestic economy with scope for an appropriate mix of access to and protection from imports to reflect Canada's particular circumstances.

Consistent with the above trade interests, there would be advantage for us in a post-MTN international trade environment which included the following major elements:

- (a) implementation of the MTN results through bringing national legislation and practices where necessary into conformity with the various GATT non-tariff codes;
- (b) strengthening of the GATT institutional framework to ensure that the letter and intent of the codes are fulfilled, and that major trade-policy issues are addressed in a timely and coherent manner;