

and a means of dealing with the underlying causes of tension before conflict erupts.

Canada addressed this issue a few years ago by seeking to promote co-operative security dialogue among the countries of the North Pacific. Resisted at first by quite a number of would-be players, today the consciousness of the need for such a dialogue is general. And in the Southeast Asian region, the ASEAN Post-Ministerial Meeting is emerging as a forum for security discussion at the ministerial level. And even in the South China Sea, where incompatible territorial claims abound, the regional governments are sitting down together, talking about international law and the means to resolve boundary issues -- using Canadian expertise and experience that we have made available.

On the economic agenda, Asia-Pacific Economic Co-operation (APEC) is making a good start. It should, over time, evolve as the regional institution to manage the friction produced when systems clash, to help create rule-based understandings on such issues as standards, investment and intellectual property, and to manage disputes when problems prove unpreventable.

To underscore the importance of finding rule-based systems in the management of conflicts, I would draw your attention to Canada-United States relations. This most successful and closest of partnerships cannot avoid difficulties -- difficulties that require systematic means of addressing them.

With the biggest trading relationship of any two countries in the world, it is no surprise that disputes arise between Canada and the U.S. -- over lumber, pork, steel, wheat pricing, hydro-electric rates -- the list is long.

These recurrent difficulties were in fact an essential consideration in Canada's decision to enter into a free trade agreement with the U.S. The use of dispute settlement panels, as established under the Free Trade Agreement, demonstrates that there is a way to find rule-based solutions to even the most tangled of issues.

The point is that there must be means of finding rule-based adjustments when change occurs, of resolving frictions when they arise. Change in itself does not have to mean crisis.

The *third* task is to use the institutions we are constructing to buttress the emergence and transformation of new players. As Asia Pacific grows in wealth and importance, its emerging powers must recognize the needs of societies and economies in transition, often fragile transition.

There are two of particular importance.