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MACLAREN HAILS WORLD TRADE BREAKTHROUGH

The Honourable Roy MacLaren, Minister for International Trade, hailed today's agreement at the Uruguay Round of world trade negotiations as an historic achievement along the road to strengthening both the Canadian and world economies.

"Seven tough years of negotiations, involving 117 governments, have produced an agreement that will open world markets for trade and investment under a strengthened set of rules," Mr. MacLaren said.

"Canada is a trading nation. One in five of our jobs is generated by exports. By bringing down trade barriers and opening markets, the agreement reached today will produce jobs and wealth in every region of the country," the Minister said.

While detailed negotiations on particular aspects of the market access package have yet to be finalized, the broad outline of the results is clear. The Minister noted the following points as particular gains for Canada:

1) Market Access

- The deal commits all members to cutting tariffs on most products by at least one third within five years and to implementing deeper cuts in some areas of particular importance to Canada, including some agricultural, resource and industrial commodities.
- Canadian producers of high-quality grains will see improved access to markets abroad and less competition from unfair export subsidies. Exporters of red meats will be encouraged by better, and in some cases new, access to foreign markets, especially in Asia.
- Canada's supply-management system for dairy and poultry will be preserved. Tariffs will replace Article XI import quotas as the means of protection.

- Canada, already a world leader in the wood, pulp and paper product sector, will be able to expand exports as tariffs and other trade barriers fall. Paper tariffs will be completely phased out in Europe and Japan, and wood product tariffs will be cut to less than 5 percent. British Columbia and Quebec, both leading exporters of wood and wood products, stand to make major gains in the Asian market.
- Harmonizing tariffs on chemicals at low rates will lead to new market opportunities, especially in developing countries and in the growing markets of Asia. Also, Canadian companies that use chemicals in making their products will benefit from lower costs.
- Canada is one of the world's most competitive producers of nickel, copper, zinc and other non-ferrous metals. Lower tariffs mean greater export opportunities for Canadian producers and should, in turn, lead to more investment in Canada.
- The export potential of the 3000 companies in Canada producing plastic products and plastics machinery will grow, especially in Latin America and Asia.
- Better access to services markets abroad will provide new opportunities for globally competitive Canadian service industries such as engineering, telecommunications, banking, insurance and environmental consulting.
- Canada's cultural industries will remain untouched by the agreement.
- Market opportunities for Canadian suppliers of advanced technology products and services purchased by governments could reach C\$1.7 trillion annually in such sectors as telecommunications, power generation and transmission equipment, as well as computer services, software and construction services.

2) Rules and Institutions

- For the first time, the subsidies permitted under international trade rules are being defined. In the closing days of the negotiations, Canada won an important victory that ensures that provincial government subsidy programs will be treated no differently than national programs.
- The new definition of subsidy will ensure that federal and provincial government assistance in such areas as social and labour adjustment cannot be subject to trade harassment.
- The subsidies agreement also exempts regional development and regional assistance programs from countervail, enabling federal and provincial governments to promote their objectives in these areas with greater certainty. It also

exempts programs to assist research and development, as well as those to help firms comply with higher environmental standards.

- Patents on virtually all inventions, products or processes in all fields of technology will be protected for 20 years.
- Makers of software, integrated circuits, and so on, will benefit from stronger action against the pirating of copyright material and trademark infringement.
- Canadians will be protected from unauthorized reproductions of their works.
- A strengthened dispute-settlement system will ensure that trade disputes are resolved on the basis of the law rather than political or economic power.
- The Multilateral Trade Organization (MTO), a concept that was developed by Canada and the Commission of the European Communities, will ensure that all participants accept all the same obligations, and will facilitate the administration and enforcement of the rules.

Mr. MacLaren added that there remain some bilateral issues to be resolved in agricultural trade, both with the United States and the European Union, and that these are being addressed by Agriculture Minister Ralph Goodale.

Over the next three months, the Final Act, consisting of the legal text of the agreements and the schedules of concessions, will be finalized. In mid-April 1994, in Morocco, ministers will sign the Final Act, which will subsequently be submitted to national governments for formal approval. It is proposed that the MTO and its constituent agreements take effect on July 1, 1995.

The Parliament of Canada will be asked to approve legislation to implement the Uruguay Round agreement in its entirety, as required by the "single undertaking" agreed to by all participants in the Round.

Provincial governments may have to modify certain laws and regulations in areas that are under their jurisdiction, particularly in the services sector. In the negotiations, Canada made no commitments in areas requiring changes to provincial legislation without first gaining the approval of the provinces.

For further information, media representatives may contact:

Media Relations Office
Department of Foreign Affairs and International Trade
(613) 995-1874

Clarification

Uruguay Round participants agreed early today that the proposed multilateral trade organization will be called the World Trade Organization (WTO).

This should be taken into account while reading these documents. All references to the Multilateral Trade Organization (MTO) should now read World Trade Organization.

MEDIA BACKGROUNDER

HIGHLIGHTS OF THE URUGUAY ROUND AGREEMENT

The Uruguay Round was the largest, most complex and most comprehensive trade negotiation ever undertaken. It included 117 participating governments, more than twice as many as in any of the previous seven Rounds negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT).

The final Uruguay Round package includes more than 25 separate agreements, all contained within a strengthened Multilateral Trade Organization (MTO).

Countries have made commitments to lower or eliminate tariffs and other barriers to trade. New areas have been brought into the ambit of world trade rules, including intellectual property, trade-related investment, and services.

A major achievement was the introduction of a common set of rules to govern trade in agriculture.

Strengthened trade rules, particularly on subsidies and countervailing duties, and a more effective system of dispute settlement will bring greater certainty to world trade in goods and services, currently valued at more than US\$4 trillion annually.

Agreement on the Uruguay Round will provide the impetus for economic growth, investment and jobs around the world.

For Canada, where one in five jobs is generated by exports, the Uruguay Round is an important achievement.

Tariffs

One of the most important achievements of the Uruguay Round is the reduction or elimination of trade barriers (tariffs and non-tariff barriers) between countries. This opens markets for Canadian exports -- especially to the rapidly growing Asia-Pacific and Latin American markets -- and cuts costs to consumers.

Canada and its trading partners have agreed to eliminate all tariffs in a number of key sectors and to reduce remaining tariffs by an average of one third by the year 2000. Tariffs will be eliminated on all paper and paper products, pharmaceuticals, beer, some spirits, steel, construction equipment, agricultural equipment, office furniture and toys. Tariffs on pharmaceutical products will be eliminated on January 1, 1995. Tariffs on chemical products and a wide range of non-ferrous metals will be reduced and harmonized at low rates.

Agriculture

Key objectives for Canada included: improved access to markets; increased disciplines on subsidies that distort world trade; more predictable and secure border arrangements to preserve Canada's farm supply-management programs; and the assurance that health and sanitary regulations will not be used as disguised barriers to trade.

The Uruguay Round agreement brings global trade in agriculture more fully under the rules of the GATT by:

- reducing overall tariffs on agricultural goods by 36 percent, with a minimum reduction of 15 percent for any specific product. Implementation will take place between 1995 and 2001 in six equal annual steps;
- ensuring that all members open their markets to imports by a specified minimum amount starting in 1995 and increasing that level of commitment by 2001;
- providing better and more secure access to markets around the world for Canada's key agri-food exports, such as grain, oilseed products and red meats;
- compelling countries to reduce internal support to their agricultural industries by 20 percent over six years, when such support has the effect of distorting trade, while ensuring that support programs that do not distort trade (such as those for regional development, research, environmental protection and farm income protection) are not subject to retaliatory duties;
- committing countries to reduce export subsidy expenditures by 36 percent and to reduce the volume of subsidized exports by 21 percent over the 1995-2001 period;
- including an agreement on health and sanitary measures that recognizes the right of countries to take actions required to protect the life and health of humans, animals and plants while preventing the misuse of health and sanitary measures as disguised barriers to trade; and
- providing a more secure and predictable trading environment in support of effective farm supply-management programs in Canada.

Services

The General Agreement on Trade in Services (GATS) establishes for the first time international rules on the conduct of international trade in services, one of the fastest-growing sectors of the world economy.

The agreement includes an obligation not to grant any special trading advantages to one country over another or to discriminate against any country; all are on an equal basis and all share the benefits of any moves toward lower trade barriers. However, under the GATS, countries may take exemptions from this obligation for a limited number of services that would end, in principle, after 10 years.

The agreement includes the criteria for resolving trade disputes and for establishing a Services Council, which will be an integral part of the new MTO.

The GATS contains extensive commitments by signatories to open their markets to a broad range of services, including financial services, professional services (such as engineering, legal and architectural) and telecommunications, computer, transportation and tourism services. Further negotiations will continue over the next several years.

Canada's cultural industries will remain untouched by the Uruguay Round agreement.

Textiles and Apparel

A key objective of the Uruguay Round was to return the textiles and apparel sectors to the GATT under improved rules. The textiles and apparel sectors will gradually be brought under the rules of the GATT over a 10-year period.

To ensure the return of this sector to the GATT, each country will be required to integrate, in three stages, textile and apparel products accounting for 51 percent of the total volume of its 1990 textile and apparel imports during the transition period. The remaining products will be integrated after the transition period has ended.

During the transition period, each country can retain existing quotas. However, these quotas will be subject to increases during that time. In addition, Canadian textile and apparel producers will benefit from the protection of improved rules and disciplines governing unfair trading practices, fraud and circumvention.

Government Procurement

The agreement on government procurement commits signatories to this agreement to open to international competition government purchases at the federal level of approximately US\$125 billion. It also provides for further negotiations, with the potential to expand market opportunities by a further US\$175 billion through coverage of state and provincial governments and government enterprises. The agreement covers a wide range of goods and services, many of which are of export interest to Canadian manufacturers and providers of services.

The new agreement broadens opportunities for procurement at the federal level by adding new departments, agencies and enterprises, in addition to expanding coverage to include services and construction.

For the first time, the agreement has the potential to expand coverage to include departments, agencies and some enterprises at the state and provincial levels, subject in Canada to voluntary commitment by the provinces, to be confirmed over an 18-month period. The agreement also provides for the expansion of the number of members participating in the agreement. With these improvements, the value of the worldwide government procurement market being opened to Canadian manufacturers and suppliers could represent a tenfold increase in coverage over the existing GATT procurement agreement.

Technical Barriers to Trade

The agreement on technical barriers to trade has been strengthened in the Uruguay Round. The agreement seeks to ensure that technical regulations and standards and related testing and certification procedures do not create unnecessary obstacles to trade. This and other provisions in the agreement will ensure that Canadian exporters enjoy greater predictability in international markets.

However, the new agreement also recognizes that countries should not be prevented from taking measures necessary to protect human health or the environment or from attaining other legitimate goals.

Subsidies and Countervailing Duties

The Uruguay Round contains a clear set of rules on subsidies and countervailing duties (penalties imposed in retaliation for unfair subsidies) -- a major objective for Canada in the Uruguay Round. The agreement contains, for the first time, an internationally agreed definition of subsidy. Certain categories or types of subsidies, for example those for regional development, the environment, and research and development, will not be subject to retaliatory duties, provided that they are administered in a way that is consistent with the agreement. These disciplines will apply to federal and provincial governments equally.

The agreement also sets the subsidy threshold at 1 percent, which means that if the value of an imported product is found to contain a subsidy of less than 1 percent, the product will not be subject to a countervailing duty. Based on Canada's past experience with U.S. countervail action, this threshold will effectively exclude many Canadian subsidies at both the federal and provincial levels from U.S. retaliatory action. The Uruguay Round agreement strengthens the existing GATT safeguards regime by providing clearer rules governing the application of safeguard measures.

Anti-Dumping

Dumping is the sale of an imported commodity at a price lower than that at which it is sold within the exporting country.

The Uruguay Round agreement contains a series of modifications to existing anti-dumping practices under the GATT, covering such matters as who is entitled to file a complaint, a "sunset" clause limiting the duration of anti-dumping cases, and more transparent procedures for conducting anti-dumping investigations. These changes will provide modest benefits to Canadian exporters while preserving the right of Canadian industries to take action against injurious foreign trading practices.

For North American trade, Canada expects to improve on these anti-dumping provisions, as well as on subsidy/countervail measures, through working groups recently agreed to by Canada, the United States and Mexico.

Trade-Related Investment Measures

The agreement on trade-related investment measures deals with investment measures that have an adverse effect on trade and will benefit Canadian companies with operations in other countries. This agreement reaffirms that foreign governments cannot require enterprises to operate in a way that restricts or distorts trade as a condition of investment (for example, requiring them to use products of domestic origin in their production). Such measures must be eliminated within a defined time frame.

Trade-Related Intellectual Property

As one of the areas being brought into the GATT for the first time, the agreement on trade-related intellectual property contains the most comprehensive global agreement to date on intellectual property.

The Uruguay Round commits each government to protect and enforce intellectual property rights. The agreement includes a set of standards in the areas of copyright, trademarks, geographical indications, integrated circuit designs and trade secrets. It also allows for access to the dispute-settlement provisions under the MTO. Effective protection of intellectual property provides certainty for the export of Canadian high-technology products and artistic works and also creates a better investment climate in Canada for research and development facilities.

Dispute Settlement

The GATT rules on dispute resolution have been strengthened and their operation streamlined through the creation of an integrated dispute-settlement mechanism. Dispute resolutions will be accelerated, with a strict time limit established for conclusion of the process once it is under way. Other improvements to the rules will reduce the ability of any one member to block the adoption of a panel or appellate body report. Members also make a commitment to avoid using unilateral retaliation.

Multilateral Trade Organization

The Uruguay Round developed a separate agreement that will establish the MTO, an international body that will oversee and co-ordinate the GATT and all agreements concluded under the Uruguay Round. The MTO will be overseen by a Ministerial Conference at least every two years.

A General Council will be established to oversee the operation of the GATT and will include a Dispute Settlement Body and a Trade Policy Review Mechanism. The MTO will also co-ordinate the functioning of the Goods Council, the Services Council and the Intellectual Property Council.

The agreement enshrines the Trade Policy Review Mechanism, the multilateral surveillance system in operation since the 1988 Montreal Mid-Term Review of the Uruguay Round. The mechanism helps keep GATT members informed of changes in each other's trade policies and obliges members to explain those changes. Canadian trade policies have been reviewed twice and Canada has participated in the reviews of the policies of many of its trading partners.

This agreement also sets out proposals to increase the contribution of the GATT to achieving greater coherence in global economic policy making. This requires co-operation with international monetary and fiscal organizations, especially the World Bank and the International Monetary Fund.

The Environment

All countries participating in the Uruguay Round recognize the growing importance of the environment to global trade. The new agreements promote better use of resources, reduced incentives for farmers to overuse their lands and the pursuit of environmental goals through programs that do not distort trade.

Canada maintains its ability to take action to protect its environment from damage caused by domestic or imported products and to set standards in accordance with its domestic environmental priorities.

Agreement has been reached on the outlines of a work program that will be developed for adoption at the Ministerial Conference on the Uruguay Round in April 1994. The work program will focus on the relationship between trade and the environment.

Next Steps

On December 15, the GATT Trade Negotiations Committee (TNC), made up of heads of each delegation, endorsed the agreements embodying the results of the Uruguay Round. This means that chief negotiators agreed to submit the document to their respective governments for approval.

From December 1993 to April 1994, the TNC will supervise the finalization of the Uruguay Round text, including legal rectification and verification of schedules.

In mid-April 1994, at a Ministerial Meeting in Marrakesh, Morocco, representatives from each government will meet to adopt the Uruguay Round agreement; which will then be submitted to national governments for formal approval.

Parliament will then be asked to consider legislation needed to implement the Uruguay Round agreement in Canada. Consistent with the "single undertaking" agreed to by all participants at the beginning of the Round, Parliament will be asked to accept or reject the agreement in its entirety. Provincial governments may also have to modify certain laws and regulations in areas that are under their jurisdiction, particularly in the services sector.

July 1, 1995, is the proposed date of entry into force of the MTO, embodying the results of the negotiations.

The GATT and the NAFTA

The NAFTA, like the FTA, aims to reduce or eliminate most of the barriers to trade within the free trade area. Such free trade areas are allowed under the GATT and are consistent with the GATT's primary goal of trade liberalization. Canada's trade with non-NAFTA countries will continue to be governed by the GATT rules, and Canadian tariffs on goods imported from non-NAFTA countries will be those agreed to in the Uruguay Round.

While the Uruguay Round mirrors many of the key provisions of the FTA and the NAFTA, it also addresses some of the unfinished business of both those agreements, including rules on agricultural trade, intellectual property, definition of subsidy, and rules governing the use of dumping and countervailing duties.

If there were a trade dispute between NAFTA trading partners, and the dispute involved an alleged breach of the NAFTA, it would be resolved under the NAFTA dispute-settlement system; if it involved the country's GATT obligations, it would be resolved through the GATT system. If the dispute involved an alleged breach of both agreements, it could be resolved under either agreement, but not both.