

Statement

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MacLAREN,
MINISTER FOR INTERNATIONAL TRADE,
TO THE NEW SOUTH WALES STATE
CHAMBER OF COMMERCE
"CANADA - AUSTRALIA:
PARTNERS IN THE PACIFIC AND IN THE WORLD"**

**SYDNEY, Australia
March 13, 1995**



Government
of Canada

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Canada

Just over a century ago and not far from here, John Larke, Canada's first trade commissioner to be assigned anywhere in the world disembarked from the *Warimoo*. Mr. Larke's arrival in Sydney marked the commencement of Canada's official trade links with Australia, the centenary of which we are celebrating this year.

John Larke's instructions asked him "to collect information both on the general trading requirements in Australia and specific trade opportunities" and "to promote trade between Canada and Australia in every possible way." His efforts in those early years stimulated trade in a wide range of goods including textiles, cereals and carriage wheels. Larke also played a significant role in the establishment of the trans-Pacific cable which helped bridge the ocean between Canada and Australia. Much has occurred during the intervening century as the relationship has prospered. Much can still be done as we look towards the future as Pacific partners and as partners in the world.

The Canada-Australia trade relationship is built upon the existence of many similarities between us arising from a shared Commonwealth heritage, a common language, similar legal and regulatory systems and comparable federal structures, all cementing the strength of our ties.

Geography has placed us at the antipodes. Despite this, we share a balanced trade relationship now well in excess of \$2 billion annually and growing. The investment connection is also strong. Accumulated Canadian investment in Australia is almost \$5 billion. Australian investment in Canada is approaching \$2 billion.

These figures suggest that Canada-Australia bilateral trade and investment flows are more significant than is generally realized in either country. They also suggest that we may enjoy a relationship that is often taken for granted. Our relationship might even have suffered from benign neglect when our attention was concentrated on adjusting to rapid developments in our respective regions. This can only be detrimental for both of us.

Both as an old Commonwealth partner and as an Asia-Pacific country, Canada seeks to embark with you on a second century of even closer collaboration. Our challenge is to ensure that business opportunities in our respective countries are not overlooked by our business communities in the face of the current excitement over newly-developing markets of Asia. Accordingly, our challenge is to build a renewed, mutually profitable partnership which will help to propel us both into what has been described as "The Pacific Century."

Canada like Australia is a trading nation. The relatively small size of our domestic markets make trade imperative. During the last 10 years, our trade and investment activities have proliferated in an unprecedented way. Our economy is experiencing a fundamental transformation as a consequence.

Only two decades ago, the notion of free trade with the United States – not to mention Mexico and soon Chile – was so alien to trade theology that a Canadian trade minister would have mused about it only at the risk of being labelled a heretic. Today, it is commonplace to talk of an integrated North American economy, an economy based upon not just more intensive trade linkages but on converging infrastructures, common distribution links and an intricate web of cross-border production and investment. Canada-U.S. trade figures illustrate the rapidity with which this integrated economy is evolving. Today, Canada exports more manufactured goods to the United States than are sold in our own domestic market. Today, two-way trade between Canada and the United States is a billion dollars a day, every day of the year. Last year, Canada enjoyed economic growth of 4.8 per cent, with near zero inflation. Record levels of exports have been the main driving force behind this strong growth. Exports now represent a record 36 per cent of our GDP.

Accumulated public debt is a potential impediment and recent budget deficits have been far too high. However, in the February 27 budget, we have unveiled a plan to attack systematically this problem. Relying almost entirely on spending reductions rather than increased taxes, we shall cut our deficit to 3% of GDP in 1996. Subsequently, we expect economic growth to outpace the increase in debt and an ongoing reduction in the debt to GDP ratio.

As part of this future, I see Canada-Australia trade and investment expanding in several directions. With globalization and the advent of innovative technologies, our companies can embark together on new business ventures. Although much of the business between our two countries has traditionally been exporting and importing, we are witnessing the emergence of new methods of doing business, as companies on both sides of the Pacific devise innovative forms of co-operation that meet the challenges of today's international marketplace.

For us, Australia is an attractive market. It is a market that continues to be receptive to Canadian goods and investment, especially in high technology areas such as telecommunications and information processing, aerospace and defence, transport equipment, mining and the environment. Increasingly, Canadian companies, in partnership with Australian companies, or from Australian bases, seek to pursue opportunities in the wider Asia-Pacific region. Firms such as Cognos and Footprint Software have elected to establish their regional headquarters in Sydney. In making Australia their regional base, they join other Canadian companies such as the Moore Group, DMR Group, Northern Telecom and McCain Foods.

Conversely, many Australian companies find Canada both an attractive market in itself and also the ideal gateway to the larger NAFTA [North American Free Trade Agreement] market. More and

more manufactured goods are included among Australian exports to Canada. I wish that many more Australian companies would follow the lead of Australian corporations such as TNT, Mayne Nickless, Western Mining, BHP, CRA, Fosters and AMCOR, in looking to Canada as a base of regional activities within the total North American marketplace.

I do not want to suggest that the relationship has been all sweetness and light. Our contacts with each other have sometimes been flavoured by strong views and, on a few occasions, by frank disagreement. This is not uncommon in any wide-ranging and sophisticated relationship. The key point is that we have been able to bring mutually agreeable resolution to most of our disagreements over the past century, based on shared interests in doing business and in being responsible members of the international community. I am determined to build on our successes and to work with our Australian friends to give a new impetus to our trade relationship.

I also want to build on the policy convergence that exists between Canada and Australia on a variety of international issues. Canada and Australia share similar views on the benefits of an open, rules-based international trading system. Together, we are working to ensure that the World Trade Organization [WTO] becomes a dynamic force for extending rule-making beyond the level achieved in the Uruguay Round. The WTO has an ambitious agenda of negotiations remaining from the Uruguay Round, such as financial services, maritime transport and government procurement. In conjunction with other international organizations, it will also address "new" trade issues such as the link between environmental and labour standards and trade, competition policy, and rules governing direct investment. I look forward to co-operating closely with Australia as we address these issues through the World Trade Organization and in other international fora.

I said a moment ago that much of the history of the Canada-Australia trade partnership lies in our shared British Commonwealth past. The future of our partnership, however, is tied more to our geographical connection as countries of the Pacific Rim and our mutual interest in the enormous economic promise of the Asia-Pacific region. Canada and Australia have much to gain from the success of APEC [Asia-Pacific Economic Co-operation forum]. Canada, like Australia, views APEC as a vital instrument for accelerating economic liberalization throughout this most dynamic of regions. APEC is crucial for a number of reasons. The potential for trade with Japan and the Asian "Tigers" remains far from fully realized. Beyond these countries lies China, an enormous and hitherto closed economy. Its emergence - along with that of India - will unsettle the equilibrium of the international trading system, if not effectively managed.

APEC, moreover, is uniquely placed to bridge both sides of the Pacific. It has the potential, if structured properly, to provide

an interface between two continental economies – a geopolitical buffer ensuring that neither regional integration within Asia nor the extension of free trade throughout the Americas will create a fault line running through the Pacific Ocean.

Last November in Bogor, Indonesia, APEC members firmly committed themselves to free trade. Developed members will attain this objective by 2010, developing members by 2020. The implications would have been unthinkable only a few years ago: within 15 years, we should see free trade between the United States and Japan, free trade between the U.S. and China within 25 years. This will not be achieved, however, solely by good intentions. A process is required. It is clear that a challenging task lies ahead of us. It is essential for APEC to take meaningful steps now to meet its goal of free trade.

APEC economies already provide excellent markets for Canadian and Australian exporters and are the source of much of the dynamism driving world growth. Yet, for many of the countries involved, their commitment to the international economic system as measured by their level of acceptance of the obligations of that system is not yet commensurate with the benefits they derive from it. This situation must change. I know Canada will work actively with Australia to encourage the necessary commitment, not least by working constructively to achieve the free trade vision set out by the APEC leaders last November. There are differences of view on how best to proceed. But Canada would be concerned if we allowed the fulfilment of the collective APEC commitments to be left to individual or unilateral actions alone. Past experience suggests that the prospects for success through this approach will inevitably be limited by the absence of a more structured process aimed at achieving a balance of concessions and benefits.

I hope that we can reach agreement at the APEC summit in Osaka in November on a package of concrete steps, to be taken collectively, towards our common goal of free trade. Canada has no objection to individual economies presenting symbolic unilateral gestures on liberalization at Osaka. Indeed, such actions may be of some limited help in building confidence and momentum, but taken alone unilateral actions fall short of what leaders agreed at Bogor. To be viewed as credible, this year's APEC summit must at a minimum agree on a timetable to commence negotiations on a meaningful package of measures leading to regional trade liberalization as well as to trade facilitation. As chair of APEC in 1997, Canada will be well placed to follow on any such undertaking from Osaka.

The emergence of regional trade blocs such as APEC and NAFTA are seen by some as exclusive and divisive developments. Our own experience with the Canada-U.S. Free Trade Agreement and subsequently NAFTA shows that such groupings can be building blocks, not stumbling blocks, which will ultimately reinforce the global regime centred in the World Trade Organization and

strengthen the global economic system. The Canada-U.S. Free Trade Agreement achieved a deeper degree of trade liberalization than would have been possible multilaterally. Not only did NAFTA extend this structure to Mexico, it also helped catalyze the movement towards free trade in APEC as well as in the Western Hemisphere. A stronger trade relationship with Europe may also result. We are building an architecture of overlapping circles of free trade which, at some point, might even lead to a new trade arrangement that bridges all the blocs - a kind of WTO-plus. In fact, both recent and potential developments in the world trading environment illustrate the momentum currently behind global trade and investment liberalization. How do we maintain this momentum? How do we ensure that the blocs grow in parallel and eventually converge?

Canada, Australia and other like-minded countries have an important role to play. Our policies and actions must promote trade between the blocs and discourage the "us-versus-them" mentality often associated with regional groupings. We must strive for a consensus, one premised on the need for trade liberalization, to advance on an inter-regional - as much as an intra-regional - basis.

Canada and Australia understand from our own bilateral experience the benefits of open and free trade. Canadian and Australian businesses are well positioned to capitalize on the opportunities offered by the reduction or elimination of trade and investment barriers worldwide. I need not to remind this audience of the importance for every business to be ahead of its competition. Today, the challenge is to seek long-term strategic investments and partnerships in key markets in order to weave the webs of production and technology that are so central a feature of the global economic landscape.

I invite you - just as I invite your Canadian counterparts - to explore new methods of enhancing our linkages, to seek innovative ways to develop connections that more effectively and competitively bring our products and technologies into the international marketplace. Canadian companies should take a hard look at Australia as a regional base for success in the western Pacific and southern Asia region. By the same token, their Australian counterparts should take the same good, hard look at Canada as the base for success in the Americas. Let's share in the risks and profits of partnership in the Pacific and in the world. This is the challenge and opportunity facing us as we move into our second century together.

Thank you.