
STATEMENT

91/56

STATEMENTS BY
THE HONOURABLE BARBARA McDOUGALL,
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,

AND

THE HONOURABLE MICHAEL H. WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE

SEOUL, Korea
November 13, 1991

ADDRESS BY THE HONOURABLE BARBARA McDOUGALL,
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

Mr. Chairman and fellow Ministers:

I would like first of all to express Canada's sincere gratitude to the government and people of the Republic of Korea for the excellent arrangements made for this meeting and for the warmth of the hospitality we are being shown. May I particularly thank President Roh for his gracious welcome yesterday.

It is an honour for me to address this distinguished body and a particular pleasure to welcome to the Asia Pacific Economic Co-operation (APEC) family: the People's Republic of China, Hong Kong and Chinese Taipei. The historic significance of their presence is not lost on any of us.

These are changing times. Across the international landscape, old, familiar patterns of conflict are receding, and new challenges are rising to the surface of the international agenda. Challenges such as achieving sustainable development and managing the effects of globalization will increasingly preoccupy policy-makers and international gatherings such as APEC.

Of course, political and economic developments do not occur in a vacuum; what at first glance may appear to be unilateral or bilateral matters often have much wider effect. A co-operative, multilateral approach to solving problems -- whether in areas of traditional security, economic co-operation, demographics or the environment -- reflects this reality and can do much to minimize the risks and maximize the benefits for all.

Canada has been active in seeking new approaches to enhance security and stability. Our approach has focused not only on the regional and global levels but also on sub-regional groupings. Recent examples of our activities in these areas include our efforts within the G-7 and United Nations to address the questions of nuclear and conventional weapons proliferation. In this context, I would like to applaud the recent announcement by President Roh Tae Woo that the Republic of Korea is reaffirming its commitment to use nuclear energy solely for peaceful purposes, a welcome declaration from both a global and a regional perspective.

In this region, we have emphasized the need to determine the feasibility of establishing a North Pacific Co-operative Security Dialogue. Canada is pleased to note that the principles behind this initiative -- an expanded definition of security issues and

broadly based consultation -- are now being accepted by other Pacific nations.

We have also placed a high priority on regional economic initiatives such as APEC. We view such forums as enhancing our ability to contribute to successful rule-based multilateral systems.

Canada's active involvement in multilateral economic forums has also included our full participation in the current Uruguay Round of Multilateral Trade Negotiations (MTN). A significant, early result of the MTN, therefore, remains our single most important priority. An updated, effective international trade system resulting from a successful MTN will be an important foundation for the further growth, competitiveness and prosperity of this region and of the world economy for the balance of the decade and beyond.

In looking to the future, I believe that the dominant characteristics of the remainder of the 1990s will be an active international agenda, a highly charged economic environment and a continuing structural transformation in global and regional political and economic systems. Keeping ahead of developments and pursuing national interests in this rapidly changing environment will not be easy.

On the economic front, it will be this region, with its continuing economic dynamism, that will in many ways help to set the pace of change for the global economy. With an aggregate gross national income twice that of the European Community, and as the source of some 28 per cent of world trade, Asia Pacific is an enormous economic region. Since 1970, both the region's share of global output and trade within the region have grown dramatically. Our economies are becoming more and more linked as the scope and nature of our economic activities grow larger.

Managing these deepening economic linkages effectively will require sound policies. Good policies, in turn, must have as a foundation good information if they are to be well designed and responsive to changing circumstances. In order to generate this information, we require the mechanisms to deepen our understanding of the economic trends in the region and increase our awareness of the policy responses that APEC governments have put into place to promote their growth and prosperity.

To achieve this better understanding, we must take advantage of the opportunity that this forum provides to examine and discuss the economic trends and issues that shape our region. In so doing, we can develop a greater awareness of the problems and

opportunities we share and of the stake we have in confronting these challenges. This is precisely why Canada attaches such importance to this agenda item within APEC, and we very much hope that a substantive economic dialogue will become a permanent and central feature of our work together.

Looking at the role of this forum more broadly, I believe APEC should become a leader on issues of international trade, mobilizing its potential influence to strengthen the multilateral system. It should use its dynamism and diversity, from which it derives much of its strength, to play a leading role in defining approaches to a new generation of issues raised by the forces of globalization. It must develop new perspectives on how to enhance economic links and mutual prosperity in a rapidly changing economic environment.

Canada is a Pacific nation. Our future prosperity is inextricably tied to this region. This is why we have been and remain so committed to the APEC process, and why we are anxious to put this forum, and its focus on economic and trade issues, on a more secure footing.

As a concrete demonstration of the depth of Canada's long-term commitment to APEC, I would like to take this opportunity to extend an invitation to all APEC participants to come to Canada for a ministerial meeting. I was pleased to hear that my officials, in their weekend discussions here in Seoul, were told by many that 1995 would be an appropriate time.

I would now like to turn the floor over to my colleague, the Honourable Michael Wilson, to discuss economic trends in Canada and the region, as well as the work of the ad hoc group of experts that met in Kyongju in August, whose report is now before you.

**ADDRESS BY THE HONOURABLE MICHAEL H. WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE**

As my honourable colleague, Minister McDougall, has noted, the transformations we are experiencing are economic as well as political. Indeed, the countries and economies gathered around this table have been agents of these changes.

Canada's assessment of the global economic situation is generally positive. The recession has ended or bottomed out in several major industrialized economies, and inflationary pressures are moderating across a broad front. We believe that a common commitment to sustainable non-inflationary growth, including sound macro-economic policies and effective structural reform, is the best means to improve the performance of our economies.

In Canada, the Government's three-pronged strategy of fiscal responsibility, price stability and continued structural reform is bearing fruit. The federal deficit, as a share of the gross domestic product (GDP), has been virtually halved since 1984 to 3.7 per cent last year, using comparable accounting; the Government's target of cutting inflation to 2 per cent by the end of 1995 is well on course; and we have continued to address structural issues and acted to implement significant reforms to improve Canada's economic performance. The economy has come out of the recession, and we are beginning to grow again.

On October 29, I launched, on behalf of the Government, a major initiative to involve all Canadians in practical ways to improve our competitiveness. In the coming months, I expect this process to generate a series of policy recommendations for the Government to help us devise a strategy for strengthening our prosperity.

Looking at the region as a whole, it is clear that economic interlinkages are continuing to deepen. During the 1980s, trade among Pacific Rim countries grew at an average annual rate of 12 per cent, higher than either Asian-European trade or European-North American trade for the same period. Regional integration has also been encouraged by means of significant foreign, direct investment flows.

We are all aware that, since its founding meeting in 1989, APEC has proven its value in many significant areas of regional concern, ranging from human resource development and telecommunications to marine conservation. Canada considers it

important to build on this consultative tradition and address questions of economic trends and issues as well.

As you are aware, the Pacific Economic Co-operation Council (PECC) produces an annual Pacific economic outlook (PEO). The PEO, along with the work of such institutions as the International Monetary Fund (IMF), the Asian Development Bank (AsDB) and the Japanese-sponsored Asia Pacific economic experts' meeting, provides an overview of the region's economic performance and prospects.

Canada considers that our needs do not stop there. What we require as well is the means to deepen our understanding of the trends that the PEO and others observe and to increase our awareness of the policy responses that APEC governments have put into place to promote their growth and prosperity.

With this in mind, Canada proposed that a group of APEC economic experts meet periodically to exchange views on economic developments in the region. The first ad hoc group meeting, co-chaired by Thailand and Canada, was held on August 27, 1991, in Kyongju, Korea. Their report to ministers is before you.

The ad hoc economic group reviewed current conditions and projections for APEC economies covering such issues as growth, inflation, current accounts, structural reforms and regional linkages. Their principal conclusions were that:

- 1) growth prospects for the region in 1992 were, on the whole, positive;
- 2) non-inflationary growth was a widely shared policy objective;
- 3) there was an overall trend to reducing current account imbalances;
- 4) a successful outcome to the Uruguay Round is vitally important to all APEC members; and
- 5) the relationship between economic development and the environment will required close attention by all APEC members.

The meeting also identified a number of policy areas that are of special and ongoing concern to the governments of the region. These include sustaining non-inflationary growth, labour and capital shortages, structural adjustment and economic diversification.

The meeting ended with a proposal by Japan to undertake a detailed survey of economic linkages among APEC members, with the conclusions to be discussed during 1992. I want to thank Japan for taking this initiative. It corresponds very closely to our view as to the type of economic exchanges that only APEC can conduct.

Canada fully supports the continuation of the ad hoc experts' discussions that bring together economic policy-makers in our respective foreign, trade and finance ministries. We see a two-fold role for such contacts: first, to provide APEC ministers, as the Kyongju meeting has done, with their considered view on the economic prospects for the region; and, second, to develop a better understanding of the underlying trends and issues that affect long-term prospects for growth and adjustment and economic inter-linkages in the region.

I understand that some of you have concerns that a dialogue of this nature could lead to policy co-ordination and a concomitant loss of sovereign decision-making. Let me assure you that this is not our objective. We are not, for example, proposing that this forum begin to dictate common interest rates, manage exchange rates or criticize one another's economic policies. What we do see is considerable merit in a forum that enables the identification of issues and problems we share, an exchange of information and analyses of economic trends and issues in the region, and consultations on developments in the global and regional economies that affect us all.

It is in the context of a dialogue of this nature that we believe each of us will be better able to design and implement policies that will benefit our respective economies and peoples.

ADDRESS BY THE HONOURABLE MICHAEL H. WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE,
ON TRADE LIBERALIZATION

Mr. Chairman:

Trade is one of the pillars of our work together in APEC. Nothing defines better the ties that bind us, nor the promise of even better things to come, than the movement of goods and services and the accompanying movement of capital, technology and ideas between our countries. The vitality of trade in our region is one of the success stories of the past two decades and gives us every hope of an even better future.

A large part of Canada's future growth and prosperity depends on this region. Increasingly open markets, strong financial markets, a willingness and capacity to innovate and take risks, and a well educated, flexible and large human resource base all add up to a highly competitive region in which traders, investors and innovators can grow and prosper. It is a region Canada has been associated with for well over one hundred years. It is one that is increasingly becoming part of Canada's mind-set, our self-definition and our fundamental attitudes. Indeed, increasingly, Canada no longer ends in Vancouver but continues through Vancouver and reaches south and west to all the markets of this region.

Opening markets is a key to prosperity. Those who represented our various economies at the two earlier general APEC meetings -- and those in particular who attended the APEC ministerial meeting on the MTN that we hosted in Vancouver in September 1989 -- have recognized this and wisely launched APEC's work in this direction. I commend them and the work of officials who between these meetings have set out a very well thought through plan of action. We will turn to that work plan in a moment.

First, let me say that no event will do more to ensure the long-term vitality of the region and of all the work in the trade field that we plan to do than an early, successful completion of the Uruguay Round of multilateral trade talks. This major five-year effort to further reduce trade barriers worldwide and to establish new trade rules has reached a critical juncture.

We are encouraged by recent signals that there may be room for flexibility on agriculture. General Agreement on Tariffs and Trade (GATT) Director General Arthur Dunkel has set in train the

most crucial schedule of meetings over the next few weeks. We must capitalize on this opportunity. The steps we must take will be bold ones, and each and every country here has a role to play and concessions to make. Not all decisions will be easy ones, but now is the time to be as forthcoming, as flexible and as forward-looking as possible. Now is the time to make the moves necessary to bring the negotiating positions to a point of agreement. The world trading system, our region and our individual economies are at stake.

As we narrow the remaining differences in the MTN, no area of the negotiations is more important than market access. We owe it to our business communities to create the environment needed to get goods and services flowing as freely as possible. The direct benefits that will accrue from more open markets will be felt throughout our economies for years to come. Canada has been a strong advocate of free trade in a number of key sectors, the so-called zero-for-zero negotiation. We urge all participants around this table to engage seriously in this initiative for global free trade. It will not be successful if we put forward only sectors where we have clear competitive advantage. We must reach further to accept other sectors as well. It involves give and take, but on balance I am convinced there will be a great deal to be gained in the long run.

As we move to complete the Uruguay Round successfully, I see an unlimited scope for further work on trade in APEC. Much of it is suggested in the excellent, clear document prepared by our officials that is before us. The guiding principle of all our work on international trade should be increased openness of our markets.

The scope of the work on trade should cover all those areas of trade and underlying competitiveness that globalization is bringing to the fore. Canada put forward some ideas in this respect over the past summer, and I hope that they will find their way into the ongoing work program: the impact of globalization, regionalism, trade and the environment, trade and competitiveness policy, trade and investment. I believe that these sorts of issues, raised by globalization, are important not only in their own right. They also offer APEC an opportunity to contribute a distinctive, indeed path-breaking, contribution to our understanding of the new trade environment.

There will undoubtedly be unfinished business left over from the Uruguay Round on which we will want to focus to see if there is a specific Asia Pacific perspective that can be brought to bear to push the interests of our region forward.

I believe that this work should move forward quickly. First, let us each do our part to complete the Uruguay Round successfully. Then let us assess what the evolving Uruguay Round results mean to us in the region. We might then explore the agenda for the 1990s and see what specific Asia Pacific initiatives can be taken. We should also examine the proposal for an eminent persons' group. I know some of you around this table think such a group might be useful in supplementing the work of both ministers and of our officials and in providing a higher profile to opportunities for the future in the Pacific. Let us ask our officials to develop terms of reference for future work on regional trade liberalization and then decide how we wish to go forward at our next meeting in Bangkok.

Trade is at the basis of much of what APEC is all about. It is real; it is policy-related; it is something that our private sector and our broader publics can relate to. Let us begin here and now to help complete the Uruguay Round and to develop a follow-up agenda for the Asia Pacific region. Our ongoing theme will be to remain open to each other and to our trading partners around the world. The Asia Pacific region should be able to lead by example. We have a lot to be proud of in terms of trade performance to date but also much to look forward to in the years ahead.