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**NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,
TO THE ASIA-PACIFIC ROUND TABLE**

**OTTAWA, Ontario
October 25, 1994**



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Ladies and gentlemen:

After running the seven-and-a-half-year marathon of Uruguay Round negotiations, the trading nations of the world are now lurching towards the finish line. Some are showing signs of fatigue. We see symptoms of this in the United States Congress — its difficulties in coming to grips with the Uruguay Round implementing legislation, and its failure to grant fast-track negotiating authority.

But despite such short-term signs of fatigue, there is a powerful worldwide consensus that the momentum of trade liberalization and rules development must be maintained. Resting now is not an option. We have to find our second wind and keep running, or we will slide back into a trading environment characterized by rising tension, frustration, and lost opportunities. We will go forward, or we will go backward, but we will not stand still.

In that spirit, G-7 leaders will discuss how to continue the process of freeing trade when they meet in Halifax next June for the Summit. The Quadrilateral Trade Ministers from Europe, the United States, Canada and Japan began work on that subject a few months ago in Los Angeles, and we will continue to develop ideas at a follow-up meeting in Canada next spring. In the meantime, I am sure that the concept of hemispheric free trade will also be explored at the Summit of the Americas in Miami in December.

Today I want to focus on how the Asia-Pacific region is helping to provide impetus to the movement, and suggest some very concrete ways to channel the burgeoning demand for freer trade in the region in ways that will also strengthen the world trading system as a whole.

But first, let me say that this kind of conference, bringing together people from business and government, is an important part of a process which, by its nature, is symbiotic. Each sector can and must contribute to the overall effort to carry the ball forward.

I say this in the belief that we are all on the same team, that we want the same things, namely, economic freedom, sustainable growth, and stability. I also believe we are serious about laying the foundations for a future less burdened by debt, and more promising in terms of quality jobs for the generation of Canadians who will be growing up and taking their place in the "Pacific Century."

No one is more aware of this than the members of the Pacific Basin Economic Council [PBEC], who, as members of the private sector doing business in the region, make an invaluable contribution to the vitality of Asia-Pacific economies.

PBEC can take a lot of pride in its track record. As the only multilateral private sector business organization in the Pacific, it has proven itself a tireless champion of expanding trade and

understanding throughout the region. Its membership has grown to include 17 member economies since its founding in 1967. Its annual general meeting is considered one of the most influential business conferences in the region, if not in the world. All of this makes PBEC an indispensable partner for my government in the promotion of policies advancing Canadian interests in the Pacific Rim.

As you know, the federal government has made the expansion of Canadian involvement in Asia-Pacific trade and investment a top priority, and we have backed up that commitment with concrete and continuing action.

Our motivation is clear. Last year Canada exported \$16.5 billion worth of goods across the Pacific, and our imports amounted to \$21.5 billion. We have enjoyed a growing trade and investment relationship with many Asia-Pacific countries. But we know that, overall, Canada's level of commerce has not kept pace with the growth of a region that will, by the year 2000, account for 50 per cent of global production and 40 per cent of global consumption.

What has held us back? Part of the problem is undoubtedly related to our proximity to, and success in, the huge U.S. market. It is the single biggest, richest market in the world, with similar laws, customs and tastes. With the North American Free Trade Agreement in place, there is a rising wave of interest in Mexico, as well. But in a globalized economy, in which competitive challenges and opportunities are global in nature, Canadian firms cannot afford to overlook the Asia-Pacific market, home of half the world's people.

To help Canadian firms, particularly small and medium-sized companies, to make that journey, the Government is taking steps such as our forthcoming Team Canada trade mission to China, headed by Prime Minister Chrétien. About 300 Canadian business people will gather in Beijing, where many in the delegation will participate in the annual general meeting of the Canada-China Business Council, which has done an outstanding job in helping to organize this mission. From Beijing, the Prime Minister will travel to Shanghai, Hong Kong, Indonesia and Viet Nam, to support Canadian interests in those markets.

While market development efforts such as that are part of the solution, the fact remains that our full participation in the Asia-Pacific region has also suffered as a result of tariff and non-tariff barriers, discriminatory practices and standards, and obscure rules and customs — all of which must be tackled and progressively eliminated.

I am sure you would join me in celebrating the achievement of the Uruguay Round as a powerful blow to many of those barriers, both through its market-opening measures and through the introduction of new or fairer rules. Realizing those gains, which should generate at least \$500 billion a year in new wealth, worldwide, by the year

2005, demands that the nations of the world quickly approve domestic legislation implementing the agreement. For Canada's part, I am proud to say that we introduced our implementing legislation into Parliament today, and I am confident it will be passed in time to meet the targeted January first start-up date for the World Trade Organization [WTO]. I am hopeful, and I urge other countries to do likewise over the next two months.

While the Uruguay Round will impact positively on economic growth and trading relations among developed countries, it will be remembered in history for the profound way in which it helped bridge the gap between North and South. We saw, as the negotiations unfolded, an evolution in the roles of key players. Most importantly, developing countries, both in APEC [Asia-Pacific Economic Co-operation forum] and elsewhere, as well as economies in transition, demanded and won an equal place at the table. They insisted that their needs be addressed. Equally, they showed a willingness to assume a greater share of the responsibilities. And we can build on that as we look ahead to the realization of the Uruguay Round, and beyond.

The results of the Uruguay Round are well known to many of you, but let me take a moment to review how they will benefit the Asia-Pacific region:

- Access to markets for industrial products will be improved appreciably, with most tariffs being cut by at least one third. Deeper cuts, including zero tariffs in some 10 sectors, were agreed to mutually by Canada, Japan, the United States and the European Union.
- The impact of tariff escalation will be reduced, as gaps between tariffs on finished products and raw materials fall by as much as two thirds for products such as wood, rubber and tin, of importance to many APEC economies.
- Textiles and clothing, of key interest to a number of APEC countries, are finally being integrated into the GATT/WTO disciplines, with the Multi-fibre Arrangement being phased out.
- Agricultural tariffs will be cut by one third, with domestic support measures to be reduced by 20 per cent and export subsidies by 36 per cent in budgetary terms, over a six-year period. This is a major gain for all APEC countries that export agricultural products. More generally, the reforms will contribute to improved efficiency in all our economies, and provide a good start for future disciplines, particularly on agricultural export subsidies.
- Then there is the agreement on services, which will bring trade and investment worth some \$2 trillion annually, within

the framework of multilateral disciplines, leading to continuing liberalization in these sectors.

- Multilateral rules on intellectual property will provide a stronger basis for the transfer of technology in the Asia-Pacific region, while separate agreements in areas as diverse as rules of origin, import licensing and pre-shipment inspection will improve conditions for all international traders.
- Importantly for Canada and, I know, for many others in the region, the Uruguay Round agreement also strengthens trade remedy rules, for example, by defining for the first time in a multilateral agreement, what is and what is not a trade-distorting subsidy, bringing discipline to the use of countervailing duties. Unfortunately, less progress was made on anti-dumping measures — an area where much work awaits us all.
- The agreement outlaws the use of grey-area measures, such as voluntary export restraints, and controls the use of safeguard protection.
- The agreement effectively precludes unilateral measures in responding to trade disputes. The new dispute settlement system — one with clear rules, tighter deadlines, and binding effect — is one of the most welcome reforms.

Without a doubt, the crowning achievement of the Uruguay Round is the creation of the World Trade Organization. Such an organization is indispensable in overseeing the operation of the "single undertaking" that we have all accepted. It will also provide for greater political surveillance of the system by trade ministers in coming years, and it may provide a forum to address emerging trade policy issues, such as the relationship of international trade and the environment, competition policy, investment and labour standards.

We also have important negotiations to complete concerning the early accession of China and Taiwan to the GATT and their membership in the World Trade Organization. Bringing these two economies under world trade rules offers a unique opportunity to achieve significant improvements in market access for Canadian exporters and investors, and to secure transparent and rules-based economic and trade regimes in both markets. To realize these mutually beneficial goals requires that China and Taiwan meet the standards established in the Uruguay Round negotiations. Their desire to do so is yet another proof of the worldwide move to market liberalization.

Clearly the seven-year marathon of negotiations has yielded much of benefit to Asia-Pacific economies, and has the potential to achieve still more.

The point is, we can not afford to lose momentum. We will either go forward or backward, but we will not stand still. How do we proceed?

We already have two excellent sources of outside advice. Both the APEC Eminent Persons Group and the Pacific Business Forum have contributed valuable ideas on trade and investment liberalization in the region, building on the Uruguay Round outcome. Both are looking to the early adoption of a legally enforceable and binding Asia-Pacific investment agreement — and perhaps an APEC dispute avoidance or mediation mechanism — and further work within APEC to improve trade and investment facilitation, albeit with different timetables.

In Jakarta just three weeks ago, APEC trade ministers declared that we are ready to challenge both ourselves and others around the world to move quickly to further liberalize trade and investment.

At that meeting, I suggested, and had considerable support for, several concrete actions that we could take in response to that challenge, by moving in the following directions.

First, APEC countries should consider accelerating the implementation of the tariff cuts agreed to in the Uruguay Round and explore further tariff cuts in other sectors. There might be possibilities of further sectoral tariff harmonization or of new zero-for-zero initiatives in a range of products. At the same time, we should work together to build on the General Agreement on Trade in Services outcome to maximize liberalization in financial services.

Second, consider pursuing, in the short term, the elimination of export subsidies on agricultural trade in APEC, and in the longer term, a prohibition of all export subsidies in agricultural trade. Significant progress was made in this regard in the Uruguay Round. For the first time, export subsidies in agricultural trade are defined, and governments are committed to reductions in both their volume and value.

Third, consider how we in APEC can remain at the forefront of investment liberalization, moving from a declaration of non-binding principles to an agreed set of rules with appropriate dispute settlement provisions. More effort is needed to facilitate international private investment — a major source of growth in this region — and to reduce uncertainties and transaction costs of investment and investment-related trade.

APEC countries should agree upon an immediate standstill on all measures which hinder investment flows among member economies while we work on a code. The code should be ambitious and reflect international best practices. This region should settle for no less.

Finally, I suggested that we should advance energetically on standards and conformance. Since our region contains many of the world's leading high-tech firms, we might want to select one or two sectors, such as telecommunications and housing, and try to reduce the negative trade and investment effects of differing standards within the region.

I offered these suggestions as possible benchmarks in our quest for freer markets, and I plan to expand on them when I return to Jakarta in two weeks' time to attend the APEC Summit.

Certainly all of us would welcome the elaboration of a vision of moving forward ambitiously and sensibly, a vision that can counter parochial and divisive concerns, a vision that can maintain the momentum towards more open markets, not just within the APEC, but throughout the world trading system.

On that note, let me reiterate that there is no intrinsic conflict between the regional nature of the APEC forum and the global agenda of the World Trade Organization. Indeed, APEC's increasing institutional strength has filled a striking gap in the framework of international economic relations, enhancing dialogue in a region that has not, until recently, developed a broad consultative forum of its own.

The growing points of contact within APEC, including meetings of ministers of trade, finance, environment, small business, and national leaders, coupled with the obvious benefit of having all "three Chinas" at the same table, are combining to produce a new and dynamic voice in world trade and economic policy.

No one can predict all the implications of the changes that we have seen or expect to see. But of one thing I am certain. The emerging world trading system is taking on new meaning. Increasingly, what is the same among us is becoming more important, and more compelling, than what is different.

Developed and developing countries alike share increasingly many of the same goals. We all aspire to improved living standards on an environmentally sustainable basis. And we all seek the same opportunities to pursue those aspirations, including through more secure access to world markets. We may differ in size and level of development but, more than ever, we are equal in our right to demand and seize those opportunities.

Thank you.