



Minister for
International Trade

Ministre du
Commerce extérieur

COMMUNIQUÉ

87/28

Remarks by
the Honourable Pat Carney,
Minister for International Trade,
to the OECD Council at
Ministerial Level

PARIS

May 12, 1987.

Canada

Mr. Chairman, as many colleagues have already pointed out, OECD countries have been successful in sustaining economic growth, at generally low rates of inflation, over this recovery, now entering its fifth year. However, we must face the fact that there are some serious problems yet to be resolved in the world economy. I would like to address the role that international trade must play in the resolution of these problems. I will also speak about the crisis in agricultural trade, the need to reform agricultural production policies and the importance of dealing effectively with agriculture in the GATT. These are vital issues on which we must make progress if we are to achieve our mutual objectives.

Last September at Punta del Este, we were optimistic that we had turned the corner in our struggle with international trade problems. Today - only eight months later - a new sense of crisis surrounds international trade relations. We are engaged as individual countries in an increasing number of bilateral trade disputes and we observe an increasing tendency to resolve trade disputes by circumventing GATT rules. Mr. Chairman, these measures undermine the multilateral trading system and our accomplishments at Punta, including our important undertakings on standstill and rollback.

Reaffirming those commitments and ensuring the success of the Uruguay Round will require that we as Ministers show strong leadership to the negotiators in Geneva, to the business sector and to the international community. In my view the OECD has a vital role to play in trade policy generally and also in relation to the negotiations in Geneva. The OECD is an extremely valuable forum for consensus building and, as you will recall, Punta del Este was largely an exercise in consensus building. Today, at this OECD Ministerial, we have an opportunity to reaffirm the Punta political commitment and thereby contribute to the success of the Uruguay Round.

How can we make that contribution? First, we should make very clear the strength of our commitment to liberalizing trade and to a successful MTN. As Ministers, we

must increase our political involvement in the GATT process. I believe therefore that there should be periodic meetings of GATT Contracting Parties at the Ministerial Level.

It is most important that we achieve progress on all fronts and that we put comprehensive negotiating proposals on the table as soon as possible. Other countries outside the OECD, which are not represented at this table, are relying on quick progress in Geneva, and are concerned that growing protectionism and bilateral trade disputes will jeopardize that progress. As well, international business has high hopes for the Uruguay Round. Both the International Chamber of Commerce when it met with Geneva negotiators on April 29 and the OECD's Business and Industry Advisory Committee have made very clear that business wants the standstill commitment to be honoured and wants early results. The expectations raised at Punta del Este are still very alive and so they should be. Now we must negotiate, we must make progress on all fronts and we must achieve real results wherever possible. The Uruguay Round is the most ambitious round of trade negotiations in the history of the GATT. We must also make it the most successful.

We can start by seeking the "Early Harvest" envisaged in the Punta del Este Ministerial declaration. That declaration says "Agreements reached at an early stage may be implemented on a provisional or a definitive basis by agreement prior to the formal conclusion of the negotiations". We can also assign priority to the one area which does not entail concessions by any country, and which, as the International Chamber of Commerce stressed, is in all of our interests: the strengthening of the GATT system.

The GATT cannot simply be an organization which administers a trade agreement; it must become more trade policy oriented and take a real responsibility for managing international trade policy questions.

That requires political direction by Ministers. Unlike other international economic organizations, such as the IMF and the World Bank, the GATT holds ministerial meetings only occasionally.

The GATT secretariat's ability to monitor and analyze the impact of trade policies is extremely limited, compared to other international economic institutions.

There is insufficient cooperation among the multilateral institutions, the GATT, the IMF and the IBRD although the issues they address are increasingly interdependent.

The dispute settlement mechanism, the cornerstone of the GATT, is sometimes cumbersome, slow and ineffective. It needs to be improved. The GATT panels have to be given the kind of expert legal, economic and technical advice which will enable them to make informed decisions within a reasonable time frame.

Mr. Chairman, let me now refer to the plight of developing countries. The OECD has consistently made their concerns a priority and I know that their governments are watching these proceedings with interest. We are all aware that the slowdown in growth in OECD countries has been particularly devastating for developing countries. Many are struggling under a heavy burden of debt. They have made it clear to us that unless they have access to our markets, they have neither the means nor the will to deal with their debt. As Filipino Minister Concepcion said at a recent trade ministers' meeting, "God and the GATT favour those who have more". If the Uruguay Round is to be truly successful, it must provide new trade opportunities for developing countries.

Let me now turn to my final point. Many countries, both developing and developed, are caught in the cross-fire of the agricultural subsidy war, a war that is not of their making.

Canadian farmers have seen world commodity prices fall dramatically. Efficient producers of grains and oilseeds in Canada are increasingly questioning whether they can survive. They see soaring U.S. commodity price support. They see Japanese rice producers receiving more than seven times world price for their crops. They see massive and subsidized EC exports to dispose of surplus stocks. Canada has been forced to respond in kind to these pressures. A battle of the treasuries - which no one can win - is in full swing.

These tensions in agricultural trade threaten the world trading system and the Uruguay Round. This is why Canada placed agriculture high on the agenda at recent meetings of trade ministers and why we are hosting in Ottawa next week a meeting of the Cairns Group of Agricultural Exporters. The need for agricultural policy and trade reform, as the Secretary General of the OECD has convincingly argued in his excellent paper, is urgent.

We acknowledge the uniqueness of agriculture. Concerns such as unemployment and food security must be recognized. But it is essential that we accept collective responsibility and commit ourselves collectively to initiate the reform that sheer common sense and financial prudence dictate. The risks of further delay will be enormous.

Both interim and long-term measures are required. For the long-term agricultural trade problems must be resolved in the MTN. If we are unable to deal with agricultural reform, the Uruguay Round will be considered a failure.

As an interim measure, Canada has proposed to the OECD a set of principles for collective action to reduce distortions in agricultural trade. These principles build on the excellent work which the OECD has done and are consistent with the approach to long term reform of agriculture envisaged in the Punta del Este Declaration. They have been conveyed to OECD members and have received wide support.

The draft communique prepared by the Secretary-General is an acceptable basis for reaching agreement on the communiqué. But let me be clear. It is already communiqué language. It is fully satisfactory to no delegation. From our perspective it represents a dilution from our principles. Efforts to seek major changes in the Secretary-General's skillful effort to reflect differences will lead us all back to original positions and away from the practical compromise we need.

The Ministerial Communiqué should reflect a real commitment to deal with these problems and we must all agree to respect it.