

Minister for
International
Trade



Ministre du
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CANADA PROPOSES STRATEGY FOR CREATION OF A WORLD TRADE ORGANIZATION

International Trade Minister John C. Crosbie today announced in Geneva that Canada has proposed a strategy which will result in the formation of a world trade organization. Mr. Crosbie is discussing the proposal with the Director General of the General Agreement on Tariffs and Trade (GATT), Arthur Dunkel, and trade ambassadors from several countries. Details of the proposed strategy will be further discussed when Mr. Crosbie meets with Ministers from 28 countries in Mexico next week.

"We are living in challenging times and we need to ensure that we have the institutional architecture capable of meeting the challenges", the Minister said. The multilateral institutions which have played a key role in building world prosperity were created at a time of enormous change in the late 1940s. We are again at a pivotal point in history and our policies must match those challenges. A world trade organization should be a fundamental part of the multilateral trading system."

The Canadian proposal is based on the expectation of a substantial result from the Uruguay Round, which would expand the scope and depth of the GATT system to include agriculture, services, intellectual property, investment, textiles, and improved dispute settlement procedures. The proposal is a comprehensive institutional strategy building on elements already a part of the agenda in the Multilateral Trade Negotiations.

"Let me emphasize this: we will not have reason for a world trade organization if we do not achieve success eight months from now in Brussels. Equally, the success I expect us to realize will force us to resolve the complex institutional issues which stand in the way of establishing this vital institution," Mr. Crosbie said.

Canada has proposed an action-oriented time frame, which would see a decision for the establishment of a world trade organization at the concluding Ministerial Meeting of the Uruguay Round in Brussels in December. Some of the detailed elements could be worked out after the Brussels meeting, although efforts must be made to ensure there is a consensus by mid 1991.

The Canadian strategy calls for a more unified, effective, and truly multilateral dispute-settlement system that would reduce the threat of unilateralism. A fundamental element of the strategy is a Canadian proposal on dispute settlement. It recommends that the problems of delay and blockage of GATT panel decisions be eliminated by adopting a system of panel review and appeal procedures, building upon the experience of the Canada/U.S. Free Trade Agreement. It also sets out specific procedures for implementation of panel decisions.

"Countries will increasingly resort to unilateral action unless there is a strong, multilateral method for resolving trade disputes," Mr. Crosbie said.

He added that regional trade liberalization agreements, such as the Canada-U.S. Free Trade Agreement and the move to eliminate internal trade barriers in Europe, need to be complemented by a strong multilateral trade system.

Mr. Crosbie noted, "Such agreements reflect the growing realization that trade is a major contributor to economic growth."

The Canadian strategy also offers an institutional basis for increased coherence between international monetary, trade and financial policies. The world trade organization could work in co-operation with the other major international economic organizations -- the International Monetary Fund and the World Bank.

"We are living in a world which is increasingly interdependent economically. We must have the means to co-ordinate economic policies to profit from that interdependence and realize sustained economic growth", Mr. Crosbie emphasized.

During the Uruguay Round, Canada has played a leading role in negotiations on the functioning of the GATT system and dispute settlement procedures. The Canadian strategy builds on progress made in these areas, as well as on experience gained in the Canada-U.S. Free Trade Agreement, particularly with respect to dispute settlement.

"Canada's economic strength, like that of many other participants in the Uruguay Round, is dependent on exports", Mr. Crosbie said. "We share a common objective with these countries of a strong and renewed multilateral trading system which will ensure access to markets. Over the coming months I will be working closely with my colleagues from other countries to achieve this objective."

Details of Canada's proposal will be presented and discussed at the Informal Trade Ministers' meeting in Mexico, April 18-20.

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MEDIA BACKGROUNDER

CANADA PROPOSES STRATEGY FOR ESTABLISHMENT OF A WORLD TRADE ORGANIZATION

The Government of Canada believes that the existing rules and institutions that govern international trade need to be significantly reformed. To this end, Canada is proposing a strategy within the Uruguay Round aimed at strengthening the open multilateral trading system. Canada is introducing a comprehensive package of institutional reforms based on the assumption that there will be a large, substantive outcome of the Round in all the key areas, including agriculture, market access, services, and trade rules including subsidies/countervailing duties. These institutional reforms would equip the GATT system to respond effectively to the trade, economic and political challenges of the 1990's and beyond.

THE GLOBAL TRADING ENVIRONMENT

When Ministers from 96 countries agreed to the Punta del Este Declaration in September, 1986 launching the Round, they agreed on the pressing need to strengthen the institutional framework and dispute settlement procedures of the GATT system.

Rapid and dynamic changes have been taking place in the world political and economic environment. These changes include:

a) Increased Membership in the GATT

The GATT has been evolving from a relatively small club of major traders towards a universal trade agreement. Since the end of the Tokyo Round in 1979, 14 countries (including Mexico) have joined the GATT, which now has 97 members. This expansion, while welcome, has put additional stress on the operation of the trading system itself.

b) Changes in Eastern Europe

The enormous political changes sweeping the countries of Eastern Europe are resulting in rapid adjustments to their economies. Ways must be found to assist these new market-oriented economies to become effectively incorporated into the world trading system.

c) Developing Countries

Virtually all major developing countries are now in the GATT. They are actively participating in all aspects of the Uruguay Round. They need a strong, open trading system in order to meet their development objectives by export-led growth. They also see an effective multilateral system as the only way to

protect themselves against the threat of unilateral retaliatory actions by the large, powerful countries.

d) Regional Agreements

In an increasingly interdependent world, more and more countries are looking to regional solutions to the powerful economic, technological and industrial changes taking place. This reflects the growing recognition that liberalized trade is a major contributor to economic growth.

Last year, Canada entered into a GATT consistent free trade-agreement with its major trading partner, the United States.

The integration and expansion of Europe also poses new challenges for the rest of the world.

Similarly, while the strong growth of Japan and the rapidly industrializing status of the Asia-Pacific region poses tremendous market opportunities, it also poses risks to the trading system unless a way is found to ensure that these economies are open to fairly-traded goods and services.

The glue that binds trading countries together is the GATT system.

e) Unilateralism

In this rapidly changing world, the major trading powers sometimes resort to, or threaten to use, unilateral actions to respond to perceived unfair or unreasonable trade practices of other countries. The new world trading system must discourage major powers from wielding such threats.

f) Dispute Settlement

The operation of the GATT depends upon a strong and effective dispute settlement system. Major achievements in securing more open access to international markets and improving new trade rules can be seriously undermined if there is not an effective, credible multilateral system to resolve disputes.

INSTITUTIONAL STRATEGY

The Uruguay Round offers an opportunity to develop a comprehensive institutional approach for the new world trading system. Many of the aspects of this approach build on negotiations already underway in Geneva. These would involve incorporating the elements of trade-policy monitoring and dispute settlement into a new, fully-fledged world trade organization.

The Canadian initiative calls for key steps to be taken to bring about the establishment of a new world trade organization. First, a work program must be set in place during the Round to

lay the basis for a decision to be taken at the Brussels Ministerial Meeting in December to create a world trade organization. Second, the establishment of such an organization should be part of the package for legislative approvals to implement the MTN agreements.

The specific elements of the Canadian institutional initiative are as follows:

1. Transparency/Surveillance

GATT rules and legal obligations are applied to private activities by legislation, regulations and policies enacted by governments. To be effective, these domestic trade laws and policies must be readily apparent and easily understood by the private sector.

Monitoring of domestic trade policies and practices is also important to ensure maximum adherence to internationally-agreed trade rules. Ministers should confirm the decision taken at Montreal to establish a Trade Policy Review Mechanism. This should become a permanent feature of the GATT system.

2. Dispute Settlement

Improvements were made to the GATT dispute settlement system at the Montreal Ministerial Meeting, but further improvements are required if it is to meet the challenges of the new trading environment.

Canada is putting forward an approach on dispute settlement that emphasizes the need to develop an effective and coherent system to eliminate the fragmentation of dispute settlement procedures within the GATT. A key element of the approach is the elimination of the possibility that a country could block the adoption of a panel report or refuse to implement panel conclusions. To achieve this the approach recommends the establishment of a panel review process and appeal procedures which do not now exist in the GATT.

To eliminate recourse to unilateral retaliatory actions, the Canadian approach also suggests specific multilateral procedures for implementation of decisions and for authorized sanctions where countries fail to comply with legal rulings.

3. World Trade Organization (WTO)

The large, expected results of the Uruguay Round negotiations cannot be effectively housed in the current provisional shelter that is the GATT. The post-Uruguay Round trade policy agenda will be complex and cannot be adequately managed within the confines of the existing GATT system.

The GATT is not currently an international organization with an institutional structure and official legal status. It has never come into force and continues to be applied only through the 1947 Protocol of Provisional Application. Its decision-making structure is not adequately designed to reflect the needs of member countries.

The time has come for the major multilateral agreement which governs world trading relations to become a fully-fledged international organization. The conclusion of the Uruguay Round presents a unique opportunity for the GATT to come of age.

4. Strengthened Trade Finance Linkages

The increasing globalization of economic activity and the complexities of international economic interdependence require greater cooperation among the three major international economic institutions: the GATT, the IMF and the World Bank. In order to ensure greater coherence in global economic policies, countries must work to strengthen the GATT as an international institution.

URUGUAY ROUND:

Where we are coming from

*1946-47	Conferences on trade organization and multilateral tariff negotiation
*1948	GATT entered into force provisionally, Jan 1948 <ul style="list-style-type: none">- Havana Charter
*1950s	Three rounds of tariff negotiations <ul style="list-style-type: none">- Annecy Round- Torquay Round- Geneva Round
*1960-61	Dillon Round <ul style="list-style-type: none">- Response to formation of the EC (6)- Tariff negotiations
*1963-67	Kennedy Round <ul style="list-style-type: none">- Response to continuing high tariffs and prospects of UK joining the EC- Tariff cuts on a comprehensive basis- Anti-dumping agreement- Grains agreement

*1973-79

Tokyo Round

- Response to trade and monetary instabilities and problems of non-tariff barriers
- Tariff and non-tariff measure results
- MTN agreements and arrangements
 - . Subsidies and countervailing measures
 - . Civil aircraft
 - . Import licencing
 - . Customs valuation
 - . Revised anti-dumping code
 - . Dairy and bovine meat arrangements
 - . Government procurement
 - . Technical barriers to trade
 - . Improved legal framework for the conduct of world trade

*1986-90

Uruguay Round

- Response to:
 - Growing protectionism
 - Emergence of newly industrialized economies
 - Need to reform trade in agriculture
 - New trade issues in services and intellectual property
 - Credibility gaps facing GATT
- Initiation of negotiations: Punta del Este, Sept 1986
- Mid-term review: Montreal, Dec 1988
- Concluding ministerial: Brussels, Dec 1990
- Developments since Punta del Este:
 - Political and economic evolution in eastern Europe
 - Increasing regionalism
 - Unilateralism
 - The role of developing countries
 - Increased GATT membership, including Mexico