

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL WILSON
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE
TO THE
FOURTH APEC MINISTERIAL MEETING

BANGKOK, Thailand
September 10, 1992

Mr. Chairman and fellow ministers,

A growing and dynamic trade environment characterizes the Asia-Pacific region. Our markets are undergoing radical changes and our companies are in the process of adjusting to the new realities of global competition. Most Asia Pacific Economic Co-operation (APEC) economies have been liberalizing domestic markets as part of longer-term efforts to improve competitiveness and prosperity. To this end, most of us have also participated in the worldwide Uruguay Round negotiations. Some among us, including my own country, have also taken steps to accelerate the process of trade liberalization by participating in new regional trading arrangements.

In this latter context, I want to take some time with you today to explain the North American Free Trade Agreement (NAFTA) that was announced by myself and my two NAFTA colleagues, Carla Hills and Jaime Serra Puche, less than a month ago. I also want to assure you that NAFTA fits well within the multilateral General Agreement on Tariffs and Trade (GATT) framework and will serve the interests of the Asia-Pacific community.

But first I want to say a few words about Canada's highest trade priority -- the Uruguay Round. Our global approach to trade policy through the GATT framework makes good sense. Canada is a major trader, exporting and importing goods and services from all over the world. In fact, since becoming trade minister a year and a half ago, I have led trade missions to the U.S.; Western, Central and Eastern Europe; Russia and several other of the newly independent states of the former U.S.S.R.; Mexico; Japan; Korea; Malaysia and Vietnam. These travels and the discussions that I have had with business people and policy makers in these countries have, if anything, made me even more acutely aware of the need for an effective, up-to-date worldwide framework for the conduct and expansion of trade and related activities.

As a global trader and with almost one third of our economic activity dependent on trade, perhaps no country has been more disappointed than my own that the world community has not yet been able to successfully complete the Uruguay Round.

That said, I think it is important to remind ourselves of the major progress that has been made in the negotiations since we met last November in Seoul. I refer of course to the Dunkel text of last December, to the agreement within the European Community on agricultural reform, to the narrowing of differences between the EC, the U.S. and the Cairns Group on agriculture and to the confidence expressed by the G-7 leaders at Munich in July that the Round could be completed by the end of this year.

Our meeting today and tomorrow thus comes at a critical juncture. We must give multilateral trade negotiators the direction and the encouragement they need to complete the negotiations over the next few months. As APEC ministers, I believe that we should

send a strong signal to the world that we believe it important to complete the Round quickly, and make it clear that we will send our negotiators back to Geneva this month with renewed vigour and flexibility.

There are tough obstacles and hard decisions ahead for us if we are to get the comprehensive, balanced and substantive result that we all know will be good for our own countries, for the Asia-Pacific region, and for the world as a whole.

For those of you who think that trade negotiations are interminable, let me say that they can indeed come to an end. Hard work, political will, and a fundamental commitment to trade liberalization are the ingredients needed to bring a negotiation to a conclusion. And that is how we achieved the major trade liberalizing arrangement between Canada, the U.S. and Mexico.

The NAFTA, involving two developed nations and a major developing country, represents a significant step forward in the global trade system. It strikes another blow against protectionism and will strengthen the concept of open regionalism that is so much a part of this Asia-Pacific community of ours.

The central feature of the NAFTA is the reduction of trade barriers within North America. I know that certain media reports, including some in this region, have interpreted this to mean a move toward a "fortress North America." As I said on Saturday in Kuala Lumpur, building a trade bloc was not our intent going into the negotiations, nor has it been the result. Frankly, an economy the size of Canada, with our global export interests and our reliance on trade for growth, cannot afford to be part of an inward-looking trading arrangement.

The NAFTA is clearly different from the European Community's common market. The Community has eliminated internal trade barriers but has established a common external tariff and is moving toward common internal regulations covering goods, services, capital and people. The three NAFTA members will maintain existing import regimes with our other trading partners. There will be no comprehensive harmonization of internal regulations -- economic, social, cultural or otherwise. Such harmonization would be quite unacceptable, certainly to the people of Canada.

I know there are also concerns that NAFTA could lead to some trade diversion. I don't think any one of us here could claim that regional trade arrangements will not in any way alter existing trade patterns. But nor can one easily link changes in trade flows to regional trade arrangements, given the wider process of globalization under way in the business community.

We are convinced, and our experience with the Canada-U.S. Free Trade Agreement (FTA) bears this out, that the income effect of trade agreements will more than offset any shifts in existing trade patterns. Increased investment and trade opportunities will arise as a result of rationalized production and enhanced markets. By tying together a market of more than 360 million people, NAFTA will generate tremendous new trade and investment opportunities not only within North America but also worldwide.

I know that companies in this region are well known for their flexibility and adaptability in order to take advantage of the changing environment. I therefore find certain statements about the NAFTA, attributed to some leaders in Asia, somewhat disturbing. We've got a good agreement here where there are very significant opportunities to be seized by your very own traders and investors. Their attitudes and confidence in an expanded North American market that will result from the NAFTA may well be influenced by what I believe are unfounded negative reactions. With positive leadership, the Asian business community will quickly realize the benefits and opportunities created by the agreement.

I am happy that this APEC meeting gives me the opportunity to outline for you the elements of the deal which, hopefully, will help to dispel some of the misconceptions. The briefing both here and in Washington by Canadian and American officials last night is indicative of our eagerness to have the agreement well understood. Canada has maintained close contact with a number of your officials throughout the negotiations, and will be making further efforts in the weeks and months ahead to provide information to all interested parties on the agreement and, in particular, on provisions in the NAFTA of specific interest to this region.

Given the detail and sheer length of the agreement -- over 1,000 pages, five diskettes -- it has taken a few weeks to complete a full draft of the text. This draft was made available to the public earlier this week. The final legal text should be completed in a few weeks. I am confident that, with all this information in hand, you will concur with our assessment of the opportunities that lie ahead.

The NAFTA is a comprehensive agreement, possibly the most comprehensive of any trade agreement entered into by any group of countries to date. Like the FTA before it and the closer economic relations agreement between Australia and New Zealand, the NAFTA is based on a concept of open regionalism and could serve as the model for future trade-expanding initiatives in the region.

Without going into details, let me outline for you some of the key elements that make this a major step toward liberalization:

- Most tariffs and non-tariff barriers such as import licences will be eliminated within 10 years. This is quite an achievement when one thinks back to a decade ago when Mexico, a developing country, had one of the most restrictive trade regimes in the world.
- A set of clearer and more predictable rules of origin has been established. This will be a plus to traders and investors in the entire Asia-Pacific region as this will promote an environment of more certainty and one less susceptible to disputes.
- Textiles and apparel trade will be liberalized, including the removal of tariffs and bilateral restraint quotas. This is also very significant when one reflects on the traditional protective stance of some segments of the industry and the difficulties that the world community has had in opening markets in this sector.

A wide range of services is covered in the agreement; this could well inspire a big services liberalization package in the GATT.

- There is comprehensive coverage of intellectual property including standards and enforcement. The benefits that this will bring to Asia-Pacific creators and investors in leading-edge sectors is obvious.
- There are improved, more transparent standards for goods; Asia-Pacific traders can only gain from the reduced costs that will result.
- New provisions are in the agreement that cover the environment. Given the growing interest in environmental matters around the world, these NAFTA provisions are both innovative and might well serve as building blocks for future trade agreements.
- There are major disciplines on investment restrictions. Some might argue that this could give a decided advantage to Mexico over other countries in the Asia-Pacific region or elsewhere. I would suggest that, in a global economy characterized by a shortage of capital, investment liberalization in Mexico was already well under way. This was the case some years earlier in the United States and Canada.
- A large government procurement package covering not only goods but services -- including construction services -- has been agreed to. This will be encouraging to those who are seeking a big procurement package in Geneva.

- There is a stronger dispute settlement system. Exporters and investors from the Asia-Pacific region will be reassured that their interests will be effectively defended in a strong, predictable and enforceable dispute settlement system.
- Finally, there is an accession clause providing for other countries or groups of countries to join the NAFTA. I need say no more about our commitment to open regionalism.

The NAFTA, like the Canada-U.S. FTA on which it is built, will be consistent with the GATT in both policy and law. The underlying principle, of both our regional and our global approach to trade, is that of liberalization. This point of complementarity was well put by Arthur Dunkel two weeks ago in Rio de Janeiro where he stated that "the founders of GATT never thought to place global and regional approaches to trade liberalization in opposition but considered them to be two sides of the same coin."

The NAFTA, like the FTA before it, will be an integral part of the GATT-based multilateral trade system and will be fully consistent with the GATT requirements as set out in Article XXIV. Indeed, many of its provisions are taken directly from the GATT and the Dunkel draft text of last December. It is our intention to have the agreement, once it has been ratified in all three countries, submitted to the GATT promptly.

The NAFTA will lend important impetus to further market openings and more effective trade rules globally in the Uruguay Round. Indeed, I hope that it will provide renewed interest in achieving a major Multilateral Trade Negotiations (MTN) market access, one of the principle negotiating areas still outstanding. Canada has been a leading proponent of the global free trade proposals on the table in Geneva. Clearly, the more trade barriers that are reduced or eliminated on a global basis, the less concern we all should have about preferential trade arrangements.

It brings me back to the importance of completing an ambitious Uruguay Round -- A big Uruguay Round makes good regional policy and good global policy. It will anchor current and future regional trading arrangements on a firm, fair and widely acceptable basis. -- completing the next generation of issues that we can already see coming upon us -- the trade and environment interface, competition and anti-dumping reform, and possibly innovation and investment issues.

It is against this background that I would hope that officials in APEC meet at an early date to develop a comprehensive, practical work plan. This plan should incorporate the anticipated results for the Uruguay Round; look at practical measures to expand trade in the region; and examine further trade-liberalizing

arrangements. This week could provide the basis for our discussions next year at APEC V.

The creation of an eminent persons group would help the work of the Regional Trade Liberalization (RTL) group and give it a higher profile. I am interested in hearing comments on this subject by Australia and other colleagues; my own view would be to create a seven- to eight-member group to work closely and intensively with the RTL group in developing ideas and steps that we might wish to consider at APEC V. With the Uruguay Round hopefully behind us by that time, our efforts could be forward-looking and visionary as we seek to build a more prosperous future together.

Thank you.