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**NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,
ON SECOND READING OF AN ACT TO IMPLEMENT
THE AGREEMENT ESTABLISHING
THE WORLD TRADE ORGANIZATION**

**OTTAWA, Ontario
October 27, 1994**



Government
of Canada

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Canada

Mr. Speaker:

The legislation we are considering today — *An Act to Implement the Agreement Establishing the World Trade Organization* — will ensure the implementation of the GATT [General Agreement on Tariffs and Trade] Agreement which I signed on behalf of Canada in Marrakech in April.

Adoption of this legislation will enable Canadians to reap the benefits of the biggest trade deal in history. By creating a more open and stable international trading environment, this Agreement will generate increased Canadian exports and investment. Exports, the driving force behind Canada's recent economic recovery, are crucial to the achievement of this government's job and growth agenda and to Canada's continuing prosperity.

The legislation before us approves the Agreement. It amends Canada's existing laws and tariff schedules to bring them into conformity with our obligations under the Agreement. And finally, it provides for the appointment of representatives to the World Trade Organization [WTO] and for the payment of Canada's share of its budget.

We made it clear before assuming office that a Liberal government would continue to support the GATT as the cornerstone of Canada's trade policy. We undertook to focus our efforts on breaking the deadlock in the Uruguay Round negotiations and on building a new World Trade Organization. This legislation is the fruit of those efforts.

The Uruguay Round, the largest, most comprehensive trade negotiation ever undertaken, involved more governments than any of the previous GATT Rounds. The final package contains over 30 agreements, understandings and declarations, capped by the agreement to create the World Trade Organization. The agreements include an enormous package of national commitments to lower tariff and non-tariff barriers to merchandise trade, a thorough reform of trade rules, and the extension of the world trading system to cover such "new" issues as trade in services and intellectual property.

Completion of the Uruguay Round will have major implications for the world and for the Canadian economy well into the next century. Conclusion of the Round, after seven and a half years of difficult negotiations, has already had a positive impact through improved confidence in the global economy.

The GATT Secretariat estimates that global income will be at least US\$ 500 billion higher in the year 2005 than it would have been without the Uruguay Round. Some economists believe that even these numbers may underestimate the impetus to growth, innovation and investment that will result from the Agreement. Economists without exception have underlined the substantial potential benefits for all members of the trading system, including Canada.

Using prudent economic assumptions, we estimate quantifiable Canadian gains of at least a 0.4 per cent increase in real income, or

\$3 billion annually when the Agreement is fully phased in. These are, however, only a fraction of the actual gains that will almost certainly occur.

Although this Agreement covers a wide array of issues affecting international trade relations, three areas stand out, both as a result of the leadership role Canada played in promoting progress and consensus, and as a result of these elements representing, for us, the most important and beneficial achievements of the Round. I refer to the market access package; to the agreement on subsidies and countervailing duties, which grew out of a Canadian draft; and to the agreement to establish a new institution, the World Trade Organization, with a greatly strengthened and integrated dispute settlement system. The creation of the World Trade Organization is largely the result of a joint initiative by Canada and the European Union.

Under the Uruguay Round Agreement, access to markets for industrial products will be substantially improved, with most tariffs being cut by at least one third. Deeper cuts, including zero tariffs in some ten sectors will also be made. Overall, Canadian exports to the European Union will benefit from tariff reductions of almost 60 per cent. Tariffs on our exports to Japan will be reduced by about 70 per cent. The impact of tariff escalation will be reduced as well. For example, the gaps between tariffs on finished products and raw materials will fall by as much as two thirds for products of importance to Canada, such as copper, lead, zinc and other non-ferrous metals.

A major achievement of the Uruguay Round is that, for the first time, the agricultural sector is brought under the rules-based multilateral regime. Agricultural tariffs will be cut overall by 36 per cent, with domestic support measures to be reduced by 20 per cent and export subsidies by 36 per cent in terms of budgetary expenditures over a six-year period. This represents a significant gain for our agricultural exporters. More generally, the agricultural reforms will contribute to improved efficiency in the world economy, providing a good start for future disciplines, particularly on agricultural export subsidies.

Also for the first time, trade in services and trade-related intellectual property are brought within the framework of multilateral disciplines. The agreement on services covers trade and investment worth some \$2 trillion annually and will promote continuing liberalization in these sectors. Multilateral rules on intellectual property will provide a stronger basis for the development and transfer of technology. Agreements in areas as diverse as rules of origin, import licensing and pre-shipment inspection will improve conditions for all international traders.

As I already mentioned, the Agreement strengthens trade remedy rules, thus realizing one of Canada's priority objectives going into the

Round. The Agreement defines the concept of subsidy for the first time in a multilateral trade agreement. Further, it sets out criteria exempting certain subsidies — for regional development, research and development, and the environment — from countervailing measures. In this era of fiscal constraint, Canada will benefit from the strengthening of multilateral disciplines on subsidies that can have such adverse effects on our competitive position in both the domestic and foreign markets.

Although the Agreement does contain some improvements with respect to anti-dumping measures, we shall have to go further to ensure that such measures are not used as an instrument for continuing protectionism.

The Agreement effectively precludes unilateral measures in responding to trade disputes. The new, integrated dispute-settlement system — one with clearer rules, tighter deadlines, and for the first time, an appeal process and binding effect — is a major improvement over the existing GATT system. In the final analysis rules are only as effective as the means of enforcing them. This wholesale reform of the multilateral trade dispute settlement system therefore represents an important, if unquantifiable, benefit for the small and middle-sized players like Canada, which are inherently vulnerable to the threat of unilateralism by the economic giants.

Without a doubt, the crowning achievement of the Uruguay Round is the creation of the new World Trade Organization. Such an organization is indispensable in overseeing the operation of the complex series of agreements and other instruments resulting from the Round. It will also provide for greater political surveillance of the system by trade ministers in coming years.

The World Trade Organization will finally put international trade on a firm institutional footing by becoming the third pillar of the world's commerce and financial structure, along with the World Bank and the International Monetary Fund. As the successor to the GATT, the World Trade Organization will provide the forum for future trade negotiations aimed at further trade liberalization worldwide and the development of new global trade rules.

Mr. Speaker, all parts of Canada and most sectors of our economy will reap substantial benefits from the Uruguay Round agreements. The business and agricultural communities, as well as the provinces, were closely consulted throughout the course of these negotiations. It is in no small part due to their contributions that these agreements will provide real, tangible benefits for Canadian producers and consumers in all regions.

Elimination of tariffs on paper and allied products and lower tariffs on lumber will substantially improve access to the European Union and Japanese markets for our forest products industry, particularly in British Columbia, Quebec, and the Atlantic Provinces.

The reduction in tariffs and non-tariff barriers in Europe, Japan and Korea, although more limited than we would have wished, will enhance the export competitiveness of the fish products industry in Atlantic Canada and British Columbia.

The Agreement will produce a more market-oriented and global trading environment for our agricultural sector. The reductions in export subsidies and in the volume of subsidized exports will put our field crops, particularly grains and oilseeds from the Prairies, on a more equal footing with those of our principal competitors.

At the same time, supply management will be able to continue operating as an effective Canadian approach to producing and marketing dairy and poultry products. The Agreement allows for the continuation of supply management systems through high import tariffs that will maintain a real security for these sectors.

New rules and disciplines on sanitary and phytosanitary measures will improve prospects for exports of many Canadian agricultural and forest products.

The reduction and harmonization at lower rates of tariffs for chemicals and chemical products will improve access to world markets, especially in Asia and Latin America, for our producers concentrated in Alberta, Saskatchewan, Ontario and Quebec.

Sectoral free trade for pharmaceuticals will result in lower import costs and improved market access, and will enhance exports to offshore markets, particularly from Quebec and Ontario. Improved protection for intellectual property will enhance prospects for investment and for research and development.

The Canadian communications and electronic equipment industries, concentrated in Quebec and Ontario, will benefit from the substantial reduction of tariffs in important industrialized markets. Software and computer services exports will be facilitated by the agreements on services and trade-related intellectual property.

Canada has many strengths in the services sector that will benefit from increased global market opportunities brought about by the new General Agreement on Trade and Services (GATS). Services in which Canada is competitive internationally include various professional and management consulting services, technical testing, financial, computer and environmental services, telecommunications, air transport, tourism, commercial education and training, health-related services, geomatics, maintenance and repair, and services incidental to agriculture, mining, forestry, energy, and manufacturing.

Increased clarity and discipline in the use of multilateral trade rules, particularly countervailing duties, as well as more effective dispute settlement mechanisms, will provide greater security of access for Canadian products in many markets. Canadian products

that have, in the past, suffered harassment from countervail actions and which can expect more secure access as a result of the Agreement include lumber, fish, pork and magnesium.

In addition, new rules on subsidies provide for the possibility of taking action against subsidized products that displace Canadian products in foreign markets, including those of the subsidizing country. These provisions could be of benefit to Canadian manufacturers of civil aircraft and ground transport equipment, steel and steel products and other sectors that have been heavily subsidized by foreign governments.

Mr. Speaker, as a country that stands to benefit greatly from these agreements, Canada has insisted that our principal partners fully implement their Uruguay Round obligations by legislating them into their domestic law. We paid particular attention to the U.S. implementing legislation. We were in frequent touch with the U.S. authorities at the highest level to urge them to ensure that U.S. legislation faithfully reflects the international agreements. We are satisfied that the U.S. legislation now awaiting votes in Congress, while not perfect, substantially implements the Uruguay Round agreements.

All of our principal trading partners are now in the process of moving their legislation forward. We are currently reviewing the European Union and Japanese implementing bills, which have just been tabled. While none of our major partners has yet completed the legislative process, it appears probable that they will do so in time to bring the agreements into force and to establish the new World Trade Organization on January 1.

It is important that Canada play its part and give a clear signal to the world community that we intend to complete our domestic procedures and implement these agreements into Canadian law in time for the January 1 start-up.

However, we shall keep a close eye on the legislative process in Washington, Tokyo, and in the European Union. We do not intend to complete our legislative procedures until we see how events unfold elsewhere. Accordingly, we shall proclaim our legislation only after our principal partners have obtained the necessary legislative approval.

Mr. Speaker, with the exception of Germany, Canada is more dependent on international trade for its economic well-being than any of the other G-7 countries.

Canadians understand that our domestic market is too small to generate alone the level of prosperity we enjoy. It behooves Canada to make a contribution to the functioning of the international trading system proportionate to our interest in the system itself. That is why Canada played a key role in the negotiations that led to

the agreement to establish the World Trade Organization which will replace the GATT on January 1. And that is why we are now playing a leadership role in the complex, detailed preparatory work required to get the WTO up and running.

We are committed to completing, as soon as possible, the unfinished work of the Uruguay Round in such areas as government procurement and financial and telecommunications services. And we are also committed to beginning work on the new generation of trade policy issues, including such matters as the relationship of international trade to the environment, competition policy, investment, and labour standards. We intend to help shape the agenda and basic concepts at an early stage so that future negotiations will advance Canadian interests.

Canada's economic strength now and in the future will depend fundamentally on our willingness to stay on the leading edge of freer trade, to take an active and creative role in forging new relationships and in building new structures that, over time, can extend the reach of a rules-based international order. The multilateral system centred on the World Trade Organization will be the foundation of that international order, but it is not the only element of what is and must be a complex and constantly evolving order.

Mr. Speaker, we must harness, for positive ends, the profound forces pushing us all toward deeper integration. Today it is more accurate to speak, not of trade policy as such, but of international economic policy. Jurisdictions and policy areas that have long been considered to be quintessentially domestic are now increasingly subject to international negotiation and rule making.

The old trade policy issues of tariff and non-tariff barriers remain on the table, but they are being overtaken by a "new agenda" — concerns over investment policy, regulatory regimes, intellectual property, competition law, even international monetary policy — a trend which in turn reflects the evolution of a yet more globally integrated economy.

If we accept that economic security inevitably lies in deepening our commitment to open, rules-based trade, then the issue is really no longer whether we should surrender sovereignty, but how we take a leading role in building a new kind of sovereignty to reflect a new economic order.

The reality is that Canada cannot wait for the international community to provide the institutions and mechanisms that will ensure our economic security. Multilateralism, while remaining our first option, cannot remain our only option. For Canada, this means taking a yet more active and creative role in forging new relationships and in building new structures that, over time, can extend the reach of rules-based trade.

The original justification for the Canada-U.S. Free Trade Agreement — and the subsequent trilateral agreement with Mexico — was really just that: to push forward in areas where our degree of economic integration seemed to call for a deeper, more comprehensive, more expeditious regime of rules and procedures than the GATT could provide.

It is Canada's goal to extend this deeper free trade relationship throughout the hemisphere and beyond, regionally if possible, bilaterally if necessary. We are already engaged in the negotiation of bilateral investment agreements with some international partners. We shall have to consider the negotiation of bilateral trade agreements if other avenues forward should become blocked.

Although the negotiation and implementation of the NAFTA [North American Free Trade Agreement] has focused Canada's attention in recent years southward to the rest of this hemisphere, we must also begin to explore new means of expanding our trade relations eastward, across the Atlantic, to Europe, and westward, across the Pacific, to Asia.

The momentum for trade liberalization both in the hemisphere and around the world, is strong. Canada seeks to maintain that momentum and, accordingly, I shall convene a meeting of the Trade Ministers of Japan, the United States and the European Union this spring. We hope to develop a consensus for new trade initiatives that will be considered at the Halifax G-7 Summit next June.

Mr. Speaker, in submitting this Bill for approval, the Government counts on the consensus of all parties in this House that the cornerstone of Canadian trade policy is the multilateral system of mutually agreed market access conditions and non-discriminatory trade rules applicable to all; that free, fair and open trade is essential for the future of the Canadian economy and for securing the competitiveness and long-term sustainable development of Canada; and that trade expansion contributes to job creation, achieves higher standards of living, offers greater choice to consumers, and strengthens the Canadian economic union. Such are the objectives that this Bill seeks to promote. I invite members to join in considering its purposes and provisions and in assuring its timely adoption.

Thank you.