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STATEMENT

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NOTES FOR AN ADDRESS BY

THE HONOURABLE ROY MacLAREN,

MINISTER FOR INTERNATIONAL TRADE,

TO THE

CALIFORNIA COUNCIL FOR INTERNATIONAL TRADE

SAN FRANCISCO, California
September 9, 1994

A few weeks ago I noticed an article in the *Journal of Commerce* titled "Calif. Lawmakers Seen as Tepid on GATT," in which, quote, "A leading international trade organization is worried California's powerful Congressional delegation isn't paying enough attention to the General Agreement on Tariffs and Trade."

I understand your group has also led a business delegation to Washington to lobby for speedy passage of the Uruguay Round implementing legislation.

I say, Bravi!

It is both rare and welcome to see a private sector group actively, vocally pushing for trade liberalization. All too often we hear only from those opposed to trade liberalization.

It takes a strong political commitment to free trade and its benefits in order to see beyond the short-term challenges that it can present. It takes constant reminders that the wealth and the high standard of living that we enjoy in both the United States and Canada are in large part due to the liberal, rules-based trading system that has developed since the GATT was founded in 1947.

The world trading system, of course, took a quantum leap forward with the successful completion of the Uruguay Round of multilateral trade negotiations. Not only were tariffs cut by around 40 per cent, but important new areas were brought under world trade rules — trade in services, intellectual property rights, agriculture and textiles.

A unified, effective dispute settlement system will ensure that all nations, big and small, have access to a fair hearing when disputes arise. And we will have a potent World Trade Organization [WTO] to help guide trade and investment into the next century.

We will have a more secure environment in which the increasingly interdependent global economy can grow and develop ... with benefits for all.

In the case of the United States, it is estimated that the GATT agreements would boost the economy by as much as $219 billion a year after 10 years, save consumers $35 billion and cut the federal deficit by more than $20 billion a year.

But we are not there yet.

Legislation to implement the Uruguay Round results must be passed by a critical mass of participating governments before it can go into effect on January 1. For our part, Canada intends to act expeditiously so we are ready to go on January 1.

In the European Union, a jurisdictional clash between the Commission and some member countries could create delays. In

Japan, we can expect a prolongation of the spirited debate on the emotional issue of market access for foreign rice.

But of all the barriers that stand between the signature of the Uruguay Round in Marrakech and the actual implementation of the World Trade Organization, the biggest are to be found in Washington. As the world's largest economy, and as the linchpin of the Uruguay Round Agreement, how the U.S. government handles its implementing legislation will determine both the timing and content of other countries' legislation.

In Canada, and no doubt in many other countries, we watch with concern as one interest group in the United States after another tries to make the Congressional legislation hostage to its own agenda. In doing so, interest groups are threatening some of the very achievements that were realized only after years of difficulty in this historic negotiation.

For example, we are concerned about the implementing legislation that is emerging in Washington with respect to changes to U.S. trade remedy law. In our many representations to U.S. officials, we have pointed out how the changes being considered will move U.S. trade law in trade-restrictive rather than trade-liberalizing directions, completely contrary to the intent of the Uruguay Round agreements.

We are also concerned about Section 301. The dispute settlement understanding reached in the Uruguay Round is a milestone in our joint efforts to create a stronger, rules-based trading system. The United States, we feel, should not make changes to its 301 authority which call into question its commitment to give primacy to the World Trade Organization for resolving disputes in sectors covered by the Uruguay Round agreements.

For the same broad reason, we are opposed to proposals for the use of trade sanctions to enforce labour standards. We do believe that the International Labour Organization, working with the OECD [Organization for Economic Co-operation and Development], should try to develop a consensus on a core set of labour standards.

To force this issue now, however, would rekindle the acrimonious debate that threatened the agreement that was signed in Marrakech last spring. It could hobble the new World Trade Organization as it takes its first tentative steps in the New Year.

At the same time, we hope that the U.S. Administration will be granted the fast track authority necessary for the process of trade liberalization to continue.

Not only Canada and the United States, but all countries will benefit from future trade agreements, be they expansion of the

NAFTA [North American Free Trade Agreement] or agreements concluded multilaterally through the WTO.

In particular, and following my recent meetings with Argentine and Brazilian officials, I strongly believe that the NAFTA accession clause should be used as a tool for trade liberalization in the Western Hemisphere. I am concerned that, after urging a vision of free trade from Alaska to Tierra del Fuego, Washington appears to be losing its momentum. Continuing ambivalence could foster the development of a patchwork of agreements that would confound greater trade and investment.

Canada and Mexico are ready to negotiate the accession of additional members to the NAFTA — with Chile being the most likely first candidate. But in the United States, of course, fast track authority is essential for NAFTA accession. Without this authority, it is highly unlikely that any trading partner of the United States will want to negotiate an agreement that Congress will be free to change unilaterally.

Some of the concerns that Canada and the international community have regarding the Uruguay Round implementing legislation in the United States are reflected in problems that we have within the NAFTA itself.

As we saw with both the lumber and the wheat disputes, there appears to be a growing tendency for special interest groups to take over the Congressional agenda, then push for and get action that violates both the spirit and the letter of international trade law.

Ultimately, these actions hurt not only your trading partners, but the U.S. public as a whole.

Consider the lumber dispute. After eight years of rancorous debate, in which sectoral interests exhausted every conceivable avenue of appeal, the countervailing duty has finally been removed by Washington. But while it was in effect, thousands of Americans were forced to pay more for their new homes because of the duty. And inflation in the United States was higher than it otherwise would have been.

As I said, this case was resolved recently, through the final ruling of an Extraordinary Challenge Committee established under the Canada-U.S. Free Trade Agreement [FTA]. But within hours of the ruling, certain lumber interests were pushing the Administration to withhold payment on the unfairly collected duties, and once again threatening a whole new round of harassment.

Like the lumber case, we have managed to contain — at least for the current year — the wheat dispute. In the face of a threat of unilateral U.S. action, Canada consented to the agreement, but not

happily. We did not see what justification there was for *any* restriction on our fairly traded wheat. We finally accepted the agreement because it was clear the United States would otherwise take more drastic action against our wheat exports, in response to the local demands of some U.S. wheat producers and their Congressmen.

Actions such as those fuelled frequently by local discontents disrupt trade and investment decisions, hurt consumers and corrode our bilateral relationship.

These continuing actions risk undermining the essential value of the agreement. In endorsing the NAFTA, the Canadian Parliament argued that the expanded economic area would give companies improved access to an open North American market of 370 million people. Tariffs and non-tariff barriers would no longer distort or stunt economic development. Producers would be more able to realize their full potential by operating in an integrated North American economy. As a result of heightened competition, consumers would benefit from better products and better prices.

To a considerable degree, those goals are being realized. The fact that trade among NAFTA partners has increased by over 10 per cent during the first six months of the Agreement, compared to the same period last year, testifies to its success.

But how can you reconcile our trilateral goal of freer trade with actions such as in the wheat and lumber cases? It points precisely to the unfinished business of the NAFTA and indeed of the FTA before it — I speak of the reform of countervail and anti-dumping laws.

Canada entered into our bilateral Free Trade Agreement and then the NAFTA precisely because we want and need a stable trading environment. We were willing to meet the heightened competition that free trade brings; we endured sometimes painful adjustment; and we restructured so that we could compete in an integrated North American economy, the prerequisite to yet greater global competition.

Having made those commitments, sacrifices, and improvements in our competitiveness, we want the free trade agreement to work.

It will not work if industries in all three countries continue to try to block exports through countervail or anti-dumping actions.

Because this issue is so important to us, we insisted, as a condition of our participation in the NAFTA, that trilateral working groups develop ways in which we can reform trade remedy laws by January 1, 1996.

The Uruguay Round made considerable progress on the question of subsidies and countervail. Assuming that the U.S. implementing legislation is faithful to the Uruguay Round Agreement itself, it will provide a good base for the trilateral working group on subsidies. But there remains much more work to be done on dumping.

In tackling this issue, we should take a hard look at how the Europeans have handled it. Within the European Union, dumping laws have been eliminated. For countries outside of the Union, a common anti-dumping regime applies.

Likewise, Australia and New Zealand have agreed to regard all commerce within their free trade area as domestic commerce.

In an integrated North American market, where firms have rationalized production on a North American basis, the concept of a national industry may no longer be viable. Should we not examine the impact of pricing behaviour on the continental market as a whole? Or would it suffice to tackle the definitions, thresholds and mechanisms provided in current anti-dumping laws?

These are the kinds of questions that must be answered on a priority basis. We should be encouraging firms to take advantage of an integrated North American market, not penalizing them for doing so.

If you agree with the logic of that argument, I ask you to do what you can to help advance those trilateral working groups on trade remedies, following your laudable insistence on a "clean" implementation bill for the Uruguay Round.

Globalization has created stresses and strains in virtually every country. The challenges of globalization are not just economic, but also social, technological, environmental and political. As economies have grown more integrated, local interests have pressed national governments to seek their own domestic advantage through erosion of freer trade commitments.

Powerful players too often see multilateral, regional and bilateral trade negotiations as manoeuvres in a zero-sum war for jobs, growth and technology — a win/lose struggle of the economically fittest. It leads to "beggar-thy-neighbour" trade policies that provide the short-term appearance of local gain while creating long-term impediments to national and international progress, growth and prosperity.

Too often the tenets and the long-term benefits of free trade are forgotten. Too quickly people forget the big picture.

I am very pleased to be with a group of people who have not forgotten. Thank you.