



# Statements and Speeches

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## A CANADIAN VIEW OF THE MULTILATERAL TRADE NEGOTIATIONS

Remarks by the Secretary of State for External Affairs, the Honourable Don Jamieson, to the Young Presidents' Organization of Ontario, Toronto, February 5, 1979.

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What I thought that I might do this afternoon is to give you an overview of the situation as it currently exists, indicate to you some of the rationale behind not only Canada's actions but those of other participants. I shall try to the best of my ability, and with a rather obscure vision in the crystal ball, to indicate where I think GATT negotiations and various related issues may take us over the next decade or so.

First of all as to timing. We are now getting down to the point where I think it is possible to forecast that we shall have a general agreement wrapping up most of the elements of the multilateral trade negotiations this spring. The date that is being aimed for is some time in April, and it looks now as if that will be met. There are a great many, of course, last-minute and very important details still to be ironed out, but I believe that it is fair to say that the general direction of the negotiations is now becoming clearer and at the very least we have been able to identify some of the major issues that remain to be resolved. One of those is, of course, very much a factor in whether or not that agreement comes in April, and that is the ability of the United States Administration to persuade Congress to extend the limitations that were imposed almost arbitrarily last year because of the conditions of American law with regard to the countervailing duties. You may recall that, just before Christmas — indeed, back in November and prior actually to the Congressional elections in the United States —, the waiver provision that the American Administration had with regard to certain countervails actually expired and Congress adjourned without having dealt with it. We have succeeded through a great deal of very delicate negotiation in "putting in place" the mechanism for keeping it from being harmful in the interim, but the European Community and ourselves have made it very clear that we shall not proceed on to the major body of the MTN and the completion until such time as Congress reimposes (or *restores* is perhaps the more appropriate word) the various capabilities of the Administration with regard to countervail.

...Obviously, in negotiations, as you gentlemen in your business capacities will know, it is not wise in a period such as this to, in a sense, "tip your hand". I can, I believe, give you some background that will be helpful....

Basically, of course, before we start talking about what the MTN are going to do, we really have to understand what they are and there are times when I encounter a fair amount of confusion not only in the business community but in the country at large and, in fact, in some areas of government and provincial governments as to just what is involved here. Actually, it is not a new exercise. It is not a unique approach that is

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being taken. This current round, which is referred to as the Tokyo Round, is the seventh set of negotiations that has taken place since 1948. The postwar period has seen a progression of international negotiations, primarily (up to now) designed and centred upon tariffs and the reduction of tariffs. That has been the principle ingredient in the six previous sets of negotiations. The present one is far more comprehensive and therefore far more important in many respects, although I should not want to diminish at all the effectiveness of what has been done in the last 25 years. I think many of you as businessmen will acknowledge that, had we not had this new approach (a slow and faltering one to begin with, but nevertheless a new approach over this last quarter-century), then world trade probably would have been much more disrupted than it is at the present time. And, so far as Canada is concerned, I believe we can look at the past 25 years and indicate that the predecessors of MTN have all been very helpful in giving to Canada a better trading environment and better opportunities overseas. This time we have gone considerably beyond a mere discussion of the negotiation of tariffs. That continues, of course, to be a pivotal and central part of the negotiations. But, in addition to that, there have been other factors added — among them, for example, some mechanism for dealing more effectively with what have come to be called non-tariff barriers. If any of you have had the experience of seeking to deal with many foreign countries (indeed, in some respects, in dealing as closely as with our neighbour in the United States), you will know that there are many occasions when the tariff has not proved to be as much of an impediment as some what have come to be called non-tariff barriers. The Japanese market, in particular, I suspect, is probably the most dramatic example of how non-tariff barriers can be a prohibition to a freer sort of trade environment. And so, therefore, a great deal of emphasis is being placed in this round of talks on normalizing and, in a way, legitimizing the whole question of non-tariff barriers and of trying to achieve what is really the second objective to which I want to refer, and that is a more orderly and stable world trading environment.

The biggest difficulty in many respects in the past (and particularly over these last four or five years) has been that businessmen and governments have never been quite sure, in terms of introducing new policies or, in the case of business, undertaking new and aggressive sales techniques, whether the ground-rules were, in fact, going to be changed in mid-stream.

This has been especially true in a lot of the markets to which we in Canada have been looking under what has come to be described as the Third Option. We, of course, are referring in that context to the European Community, to Japan, and particularly to some of the emerging countries. In virtually all of these, there has been a good deal of uncertainty about what non-tariff barriers are likely to do. One or two examples from our experience in Canada are obvious and I suppose the one that comes most readily to mind is the Michelin case in Nova Scotia, where a whole question of governmental assistance for regional economic development was called into question by the action of the United States under what might be described as a non-tariff barrier item. And, as a result of that, for these last three or four years (although I have to say that the American Administration has been co-operative), it has always been hanging over us, this question of whether or not, once a grant was provided for a company to locate in

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one of the under-developed parts of Canada, ... this grant might, in fact, be taken into account in establishing tariffs or, in some way or other, moving in a protectionist direction. And so I repeat that the objectives beyond tariffs in these negotiations are, Number One, to deal with the whole question of non-tariff barriers and more broadly to try to get more of a sense of security for the next decade or more in the sense of your dealings with foreign markets and the like.

The second point that I think is important to bear in mind with regard to the current set of multilateral trade negotiations is the climate in which they now find themselves. They began, of course, in 1973 and, as all of us know (you businessmen in particular), 1973 bears very little resemblance in terms of the business climate to 1979, if for no reason other than the energy crisis that has intervened and a whole series of other developments such as some strains of considerable proportions on the world monetary system and the like. And so, therefore, there have been, particularly in the last three or four years, pressures (and certainly criticisms) that this whole round of tariff negotiations ought to be either shelved or diminished in its importance because of the current economic situation. Well it was our view, shared by all the industrialized countries of the world, that the exact opposite was, of course, the necessity — namely that, given the precarious nature of the world's economic situation, if there was not to be a determination and a strong commitment towards tariff reform and the various other matters to which I have referred, then the inevitable development would be an almost irresistible demand, in country after country, for more protectionism. This was the pattern back in the 1930s, when all saw the effects of the "beggar-my-neighbour" kind of approach to things. So it was why at the London "summit" in 1977, and again at the Bonn "summit" in 1978, the leaders of the seven major industrialized countries, including Prime Minister Trudeau of Canada, reaffirmed their commitment to comprehensive MTN and also to meeting the deadlines that we had set for ourselves as a counterweight to what was emerging in all of our countries, including Canada, as a perfectly obvious tendency towards greater protectionism.

In the Canadian context, of course, we have had particular problems with regard to protection and various demands of industries for greater shelter or for a greater degree of protection in one way or another from imports. And I should say, in this regard, that, while we are seeking through the MTN the kind of more secure and open world-trading environment to which I have referred, no country, least of all Canada, is going to take the position that we are totally devoid of any appropriate or entirely legitimate right to protect industries or sectors that are suffering or are threatened by excessive imports or, indeed, by inappropriate exporting techniques by other countries. And so, therefore, we have quite legitimately, under the existing GATT rules, moved in these last few years to protect some of our particularly vulnerable industries — two of which coming to mind, of course, right away being textiles and footwear (but there have been others as well). On the whole, however, I think a case can clearly be made that Canada is a country that would suffer most of all if there were to be an enormous increase in the tendency towards protection, particularly in our largest markets and those that are now rapidly developing.

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By the way, I may say parenthetically that another objective of the MTN is to look at this immense problem, and at the same time opportunity, that is created by what has come to be called the "North-South dialogue" — that is, the relation between the developed and the developing world. This round of tariff negotiations, as opposed to the other six, is unique in the sense that it is seeking, at least so far as it can, to accommodate some of the legitimate aspirations of the developing countries. And perhaps, while I'm on that subject, I might elaborate slightly by saying that we in this country (and I believe this is true of most enlightened people in the developed world) do not regard our assistance to the developing world as being something of a charitable kind of gesture.

One of the problems in the developing world is that, first of all, although they refer to themselves in a sort of cohesive way as the Group of 77 or some other designation, there is a vast difference in the economies let us say of Brazil, on the one hand, which still regards itself as a developing country, and Tanzania or some other African country, on the other. So, therefore, it is exceedingly difficult to draft any one cohesive set of policies that is responsive to all of those needs at the same time and, of course, they are discovering even among themselves these days that what they have been seeking with regard to, for example, commodity agreements or some assurances with regard to basic prices for raw materials don't always fit into the same pattern. There is, I repeat, a big difference between a single-commodity country that is producing only cocoa or coffee or some other raw material such as that, and a country that has a very diversified base, such as many of those that are emerging in Latin America. So, consequently, when we hear and see the various declarations made at meetings of the United Nations Conference on Trade and Development and other organizations that seem to suggest that there is a solidarity and a single point of view within the developing world, I can assure you now, from very wide experience, that this simply is not the case. You will find that some of the countries now emerging that have oil reserves and have suddenly discovered that they have a good energy-base are now taking a second look at whether they ought to, for example, indulge in the business of debt-forgiveness, because, instead of being debtors, on the one hand, they are starting to be creditor countries so far as some of their neighbours and others are concerned, and so no simple formula exists to deal with them.

There is another point that perhaps is worth mentioning because each one of these things leads to another. It is a matter of great interest to us in Canada whether or not we can introduce into some of these developing countries forms of our technology and our expertise that are somewhat "off" the difficult industries that we have in Canada. One of the natural tendencies, for instance, in developing countries almost invariably is to say "we will get into textiles". It is a comparatively simple exercise for them, on the one hand. It is a large employer of labour and therefore there is a growing trend for people in these countries to say "well that is going to be our industrial base". I have to caution time after time after time that, in fields such as that and in fields such as leather and footwear and many others that I could mention, that is not the wise course to go. Indeed, it is interesting to note that some of the developing countries are now finding that they are being pushed in those particular areas (Hong Kong being a classic example) by even less-developed areas such as Singapore

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or Malaysia or South Korea or some other region that is now actually providing very serious competition in the textile field for even another developing area. And so part of our strategy round the world has been to try to direct developing countries first of all into the kinds of industry that won't be head-to-head competitors with us in Canada, and, secondly, those where we have a capacity to supply them with the technology, with the equipment and the like that will get them into that particular kind of business. Clearly it is not an easy task, but it is one, I think, on which we are getting some focus and a considerable amount of experience in the business community. For example, we invite them to and they participate in various trade missions.

The third element in this is, of course, terribly important for us in Canada, and that is the dichotomy that exists in a nation such as ours, which is at one and the same time a developed and a developing country, a country of high technology, on the one hand, but a large producer of raw materials and natural resources, on the other. I say that it is a problem for us because, as you will have noted, in perhaps the last six months or so a new kind of discussion, and even debate, has begun in this country, one in which I hope that groups like yourselves will engage in an analytical kind of way and give us the benefit of your judgment. The Export Development Corporation is something the Government of Canada has been employing with considerably more usefulness over the last decade or so in support of Canadian industry, and particularly in support of Canadian high technology and machinery manufacturing. Now one of the problems we have here is, of course, that many of the things we produce (and I shall use pulp and paper as an example) are machines developing countries wish to buy from us, including the technology that goes with them, so that they can in turn produce various paper products. Consequently, we have clearly a tug-of-war within Canada between those who are manufacturing pulp-and-paper machines or logging machines or whatever the case might be in order to capitalize on those markets, and those within the country who are actually producing pulp and paper or raw materials of one kind or another, such as copper, and who say: "Well, this is ridiculous, because all you are doing in a way is creating new competitors for us overseas". The short answer, of course, ... is that we are not the only people producing that kind of equipment and therefore it is not a matter of whether Czechoslovakia, for instance, is going to go into the business of producing pulp and paper — they are going to do that regardless. The question is whether they are going to get the equipment with which to do it from us or are they, as was the case there, going to get it from Austria or from France. We happened to beat them out on that particular order and we have in a number of other areas as well. But, really, I am being diverted to some extent from the MTN; but I did want to sketch in some of the elements that are involved in terms of what our negotiators and we who try to plan the strategy have to bear in mind.

Now so far as the MTN themselves are concerned, and to return to some of the goals that we hope will come out of it, one is one that I have already mentioned to you — namely, a more secure environment. But, clearly also, it is inevitable that there will be within Canada companies, and perhaps regions, that will not be able to make a total adjustment to the new scheme of things. The adjustment, of course, I should emphasize, because once again it is not, I believe, fully understood that it is not going to

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occur overnight. In other words, what is really being aimed for is a transitional period of about eight years starting around January 1, 1980, so that the total implementation will not occur until close to the end of the next decade. So no one, or scarcely anyone I should expect, is going to be seriously affected (that is, in Canada) in the first year or so of this kind of operation. But there will be some, and therefore a part of this exercise had to be the setting-up of forms of adjustment-assistance, some manner, in which those organizations, those companies, that clearly are going to be damaged in terms of the present scheme of things would be able either to move to different kinds of products or to adjust to new competition and a variety of things of this sort. So, simultaneously with the actual negotiations, we have been, as a Federal Government, in co-operation with the provinces, seeking to "put into place" these kinds of transitional-assistance programs, built on top of, I might say, many that are already "in place". But even there, of course, it is probably overstated in some respects — that is, the impact negatively that the MTN are going to have. Because, in addition to having their equipment and their original capital "inputs" reduced in price because of a reduction of tariffs and the like, we should also expect that many of our Canadian producers would be able to reach out into a wider market than merely the Canadian domestic market. It clearly won't be possible for everyone, but here let me point out a phenomenon or a strange situation in the way the world system is evolving in which Canada finds itself.

We are one of the six or seven most highly industrialized countries in the whole world. That, I think, can be measured by any yardstick you wish to employ. But we are the only country now that has a comparatively small domestic trading-base. If you look at the developments of the past decade, it is perfectly obvious that, first of all of course, by the natural size of it, the United States has an enormous domestic base. I just happened to hear on the radio coming in from the airport that they "hit" 220 million people as of this day. We know also that the European Community has come together in what is essentially a kind of customs alliance so you have a common market there of the same or larger size. Similarly, Japan, with its large consumer demand, is in the order of 100 million people, and we have noted also in the developing world such evolving organizations as CARICOM in the Caribbean, where there is a common market emerging between all of those countries — not big, it is true, because they are sparsely populated. And Southeast Asia, which puts together perhaps another 200 million people in what will eventually be a common-market kind of trading relation. So here we have Canada, with 10 per cent, give or take a few, of the United States population and perhaps the same in relation to the European Community, as a domestic base seeking to compete in this new and highly-competitive world in which we are living. Now clearly two things, it seems to me, have certainly seemed to our negotiators to be self-evident: one, that any kind of protection leaves us highly vulnerable, as I said at the outset; secondly, that we must expand beyond our 22-million domestic market if we are going to really maximize the opportunities that the new MTN create for us. That is not going to be easy and I should not want to oversell the MTN or at the same time diminish their value. They are in many respects a "catalyst" around which we (and I mean governments and the private sector) are going to have to construct a strategy, whether one wants to call it an industrial strategy in the singular as some people are prone to do. Some people are inclined to

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state critically that perhaps we don't have an overall single strategy.... I am not sure but, one way or the other, what we have to do is to see the MTN as a potential benefit. Even when they are completed by themselves they are not going to really solve anything for the business community. They will simply put opportunities "in place", so the question is how do we exploit them best? And, when you see those figures to which I referred a few moments ago, it seems to me that the logical course for us to pursue is to ask ourselves how can we gain access to that broader market that is going to be opened up for us? Because the alternative of protection is simply no alternative at all.

So what we are anticipating is, therefore, that, within the next six to eight weeks or so, a package will have been put "in place". It will be in all respects — I believe the word is *ad referendum* — in the sense that it is bound to require rationalization or ratification rather by governments and various other political bodies. But that will be the situation as of, say, April of this year. If it is accepted, what we will have put "in place" is a better and a more secure kind of trading environment, with many opportunities and some challenges in terms of certain existing industries that will have to get some form of help or transition and the like. Then, in addition to that, there will be an element, I should hope, in there that will offer some encouragement to the developing countries. No group can ever expect to get out of negotiations of this kind everything that it wants. Certainly the developing countries are more aware than they were even a couple of years ago that there are limits to how much we can do in the industrialized world at this time until our own economies are in a more healthy state, and so, therefore, there is bound to be some disappointment that we have not gone far enough. But I do want to emphasize once again that MTN are only a small part of the "North-South dialogue". There will be these opportunities created in both the developing and the developed world as a result of the processes that I have outlined. Then, beginning next year, the various reductions and changes will start to have their effect. There will obviously have to be much consultation, both with provincial governments and also with sectors of industry, and I have no doubt with individual industries, not only to make them fully aware of the opportunities and the like that have been put before them but also to let them "flag" for governments where they see the problems as well as the opportunities. I don't believe that, given as complex an exercise as this and given the kinds of mixed economy round the world, with which we have to deal, that we can say that this is either a governmental exercise or a purely private-enterprise exercise. There must be the maximum amount of co-operation between the two for the benefits to be fully achieved and also for the dangers to be minimized as much as possible. There is also, of course, something else, which in the short run is something that has to be taken into account when looking at MTN, and that is that what we are talking about here is something that is going to be "in place" for at least a decade before another review starts, which seems to suggest that we are probably talking something close to the end of this century before there is a full impact of yet another round. In the meantime, we do have a situation in terms of the world monetary situation and the relation of our own Canadian dollar to other currencies that can indeed have a considerable impact on our abilities to export or our problems with imports, which goes over and beyond the tariff negotiations. So there

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may be a tendency to say: "Well, look, really, MTN are not all that important in the kind of trading milieu in which we now have to find ourselves". My response to that is, of course, that we must press on with both the MTN, on the one hand, and the development of more stability in the world monetary situation than we have at the present time. In other words, one is not an alternative to the other and, if the dollar were to rebound, as I am sure it will over time, and we didn't have a good farsighted approach on MTN, then we should not be in a position to take advantage, and indeed we might well lose a good deal of the advantage many of our exporters have now as a result of the devalued Canadian dollar.

Well, this is, then, a broad outline and left out, of course, a tremendous amount of detail because it would take altogether too long.... I myself shall be more than pleased in either private conversations or from the podium here to try to explain in more detail some of the things that I have mentioned, but in the last analysis the MTN are really one more weapon in our arsenal. We have, I have no doubt at all, the capability within this country to develop a strong industrial base, to develop a healthy economy in the long term. Incidentally, if I can paraphrase Churchill, I think he once said, when addressing the United States Congress, that if his father hadn't been British he might very well have sat there in the Congress as a member himself because his mother was an American. Well, if I hadn't 12 years ago been diverted the other way, I might well be down here in the audience in the same kind of category that you are, except that I don't think I could any longer qualify for the designation young, but the truth of the matter is that I have had myself a fair amount of experience. I have had the difficulties and the great satisfactions of running businesses. I know myself how important it is that there be the stability we are talking about, and I have no hesitation in saying either that, in the last analysis, it is really going to be more the decisions you make with the tools that government puts at your disposal that will make the difference rather than anything that governments can do on their own....