

# *Statement*

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**NOTES FOR AN ADDRESS BY  
THE HONOURABLE ROY MACLAREN,  
MINISTER FOR INTERNATIONAL TRADE,  
TO THE CANADA-CHINA BUSINESS COUNCIL'S  
ANNUAL GENERAL MEETING AND CONFERENCE**

**MONTREAL, Quebec  
October 14, 1995**



Government  
of Canada

Gouvernement  
du Canada

**Canada**

It is a great pleasure to speak to you today. The events of the last two days will have left none of you in any doubt as to the commitment of both Canada and China – at the highest levels of our leadership – to our valuable bilateral relationship. This is the third time as Minister for International Trade that I have had the pleasure of addressing your conference. I spoke in Vancouver in 1993 and in Beijing during the Team Canada mission last year. We have together reviewed the importance of the Canada-China trading relationship. We have together witnessed the burgeoning opportunities of the Chinese market.

The Canada-China Business Council has played a vital role in this process. Your efforts have contributed significantly to building the Canada-China economic relationship. Your practical advice has guided the Government's efforts to strengthen the environment in which trade and investment between our two countries can flourish.

That includes Canada's consistent support for China's efforts to open its market by extending it most-favoured-nation trading status. That also includes our active support for China's early accession to the World Trade Organization [WTO]. Our focus has always been on enhanced access for Canadian goods and services.

The accession of China to the WTO is one of the key issues that will govern Canada-China trade and investment ties in the time ahead. I hardly need remind you of the weight of China's presence today in the world economy or its importance to Canada. The size of China's economy has quadrupled since 1980, with annual growth averaging 9 per cent. It is now the world's 11th-largest trading nation.

In the past decade, China's exports to Canada have grown by 27 per cent annually. Canada's exports to China have increased by 14 per cent annually. Last year they were up by one third. They have surged by a further 50 per cent in the first six months of this year. This is an outstanding performance, but only a foretaste of what is yet to come. We are determined to meet Prime Minister Chrétien's challenge, issued in Beijing last year, to achieve \$20 billion in business annually with China by the year 2000. And that's not taking into account the burgeoning growth in our trade with Hong Kong.

The establishment of the World Trade Organization on January 1 was a momentous achievement for the international community. Its importance to the future of world trade can hardly be overstated. The WTO realizes a dream to create an effective referee over the frequently turbulent, sometimes dangerous and always demanding competition of world markets.

It is of concern, however, that China, a country of such magnitude, is not a full partner in the World Trade Organization. China is an increasingly important supplier to world markets. China is also an increasingly important customer, not least, as I

have already pointed out, to Canada. In broader geo-political terms, China is a growing player on the world stage. China's absence from this key international institution leaves a large gap in the architecture of the multilateral trading system that could limit its potential.

It is certainly in the interests of Canada and other members of the World Trade Organization, as well as China, that this deficiency be rectified.

The economic history of the second half of the 20th century is, in good part, the history of progress toward greater economic security, through the strengthening of international trade rules. In successive rounds of trade negotiations since the end of the Second World War, concluding with the successful completion of the Uruguay Round in 1993, the world's nations have painstakingly built a structure of international trade law, to supplant the rules of the jungle with the rules of the road.

Alert to the damaging and self-destructive exertions of brute economic force, the nations of the world have pressed forward to strengthen, in the international arena, the stability of rules-based behaviour that many have long enjoyed domestically. Not – I must say – without occasional hesitations, doubts and backsliding among participants, the advantages of the multilateral trading system have been realized by large and small nations alike. For proof one need only look at the sheer volume of international trade, which has expanded exponentially in this half-century, to fuel the growth of both established and emerging economies.

International law provides a solid framework to govern relations among parties who must, of necessity, deal with each other. A system of rules provides fairness and predictability. Buyers and sellers can face each other, not with suspicion, not in the fear that everything is up for grabs, but knowing instead that fundamental rules apply. Rules instil confidence. They also expedite deal-making.

Recognition of the value of the multilateral trading system lies at the heart of Canada's support for the World Trade Organization, the establishment of which was one of the cardinal achievements of the Uruguay Round. Canada and our WTO partners wish to see China as a full participant in this new and vital world economic institution.

Ultimately the objective for Canada and other WTO members in pursuing China's accession is to win more open access to the Chinese market and to secure a more predictable business environment for traders and investors. That is why China's accession to the World Trade Organization is relevant to every Canadian firm doing business with Chinese partners. At the same

time, WTO membership is clearly in China's interests, which the Chinese leadership has recognized by pursuing membership in the Organization.

The negotiations on the eve of the establishment of the WTO late last year did not succeed. They fell short of their objective for a number of reasons, but in general, although China has implemented extensive economic reforms, the Chinese system is still not as open or as transparent as WTO membership requires.

It is a worthy adage, tried but true, that anything worth doing is worth doing well. That is why Canada and fellow WTO members are prepared to work hard to see that the accession negotiations eventually succeed on terms satisfactory to all. Canada was encouraged by the progress made at, and since, the resumption of negotiations in May.

I should note that in approaching these talks, the Government of Canada has depended heavily on the advice provided by the private sector. As in all our trade negotiations in recent years, the Sectoral Advisory Groups on International Trade have played a key role in devising our market access goals.

On the accession negotiations governing market access issues strictly between Canada and China, we are seeking improved access for goods of particular interest to Canada, ranging from – but not, I stress, limited to – newsprint to road graders to power-generating equipment. On the services front, we are currently focussing on providing wider access to China's financial and advanced telecommunications services markets.

These negotiations take time. They must be approached with care. China may, for example, offer a lower tariff on wholly manufactured widgets.

But on close examination, negotiators discover that the right to import such widgets is restricted to only a few enterprises or that a quota applies or that a sanitary or safety requirement – perhaps not justified – erects an impenetrable barrier. Any of these measures are trade-distorting. They must be measured against the benchmark of WTO rules to determine whether they are compatible with these rules. This process is a complex one. But we must get it right. Ultimately, the terms of accession must provide the degree of fairness and predictability expected by all.

There is still a long way to go. Additional talks are scheduled for November. We look forward in time to a result that will mean more certainty for business and a freer flow of goods and services with the Chinese market. We continue to examine closely the ways in which the Chinese trading regime is still

incompatible with WTO rules. The value of a rule book is that all members are bound by and play by the same rules.

That has been a fundamental objective of the multilateral trading system. And it clearly informs Canada's strategy in the accession negotiations.

China's accession to the WTO on the right terms will ensure a more predictable environment for Canadian companies. Canada will do what is necessary to attain that goal. It is expected that China will also do so.

As significant as China's World Trade Organization membership will be, it is in fact only a minimum requirement for China's future and full participation in the multilateral trading system. The momentum toward the further removal of trade barriers and greater trade liberalization worldwide, propelled by the Uruguay Round and accelerated by regional trade agreements such as the North American Free Trade Agreement [NAFTA], demands China's involvement beyond membership in the WTO.

A year ago, in Jakarta, Indonesia, the countries of the Asia-Pacific Economic Co-operation [APEC] forum committed themselves to reaching a comprehensive free trade agreement no later than the year 2020. The fact is, for that commitment to have meaning, China must first of all meet the fundamental prerequisite for participation: membership in the World Trade Organization. No progress can be made toward enhanced free trade unless there is first full adherence to the foundation accord upon which all regional agreements are based.

One cannot underestimate the importance of the APEC commitment. The region has become the focal point of immense shifts in the global economy. The continued growth of Japan, Korea, Singapore, Taiwan, Hong Kong, Indonesia, Thailand and Malaysia have transformed not only the region's economy, but the world's.

And APEC is an important bridge between the NAFTA and the emerging economies of the Americas and the rapidly developing Asian economies. APEC will reduce the possibility of a fault line through the Pacific arising from regional integration within Asia or by the extension of free trade throughout the Americas. Full Chinese involvement in and commitment to APEC is essential.

Good trade agreements foster good economic relations. They do not create them. The real substance of Canada-China economic ties is in the multitude of transactions between Canadian companies and their Chinese counterparts. And close examination shows an important and positive change in the nature of those transactions over the last decade. Rather than commodity-based, they are becoming, increasingly, manufactured products, with more value added in Canada.

And rather than trading goods at arm's length, Canadian firms, large and small, are investing, establishing joint ventures, installing Canadian-designed technology and, in summary, establishing multi-faceted business ties that place Canada firmly inside the Chinese market.

It is to assist these companies – and their employees and the many Canadian communities in which they are based – that trade agreements are negotiated.

Achieving China's accession to the World Trade Organization is therefore a matter of high priority for Canada. In the long run, it is inconceivable that a nation, constituting one-fifth of the world's population, which in the next century may become the world's largest economy, should not be part of this key world institution.

Just as it was unthinkable, 25 years ago, that China would remain outside the United Nations, it is equally preposterous – especially in today's increasingly integrated global economy – that China should remain for long outside the World Trade Organization. Twenty-five years ago, Canada played a leadership role in helping China reintegrate within the community of nations. Today, we hope to play a similarly constructive role in achieving China's reintegration within the evolving multilateral trading system.

Thank you.