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CANADA

Statement Circulated by the Honourable Sergio Marchi,
Minister for International Trade

I. THE IMPORTANCE OF TRADE AND INVESTMENT TO CANADA

Canada's economic prosperity depends heavily on an active and outward-looking trade strategy.

Canada is the most trade-dependent major economy in the world. Forty per cent of Canada's GDP (gross domestic product) depends on trade. One job in three in the Canadian economy is directly tied to our exports. International trade fuels our economic prosperity. Between 1992 and 1996, Canadian exports grew roughly four times as fast as our GDP. In good measure because of our strong trade performance in this period, the Canadian economy created almost 1 million new jobs as our total labour force grew from 14.5 million to 15.4 million Canadians.

Foreign investment also plays a key role in Canada. Every \$1 billion in foreign direct investment creates some 45,000 jobs, so the total of \$188 billion that foreigners have invested in Canada means a brighter future for all Canadians. Similarly, the profits, technologies and jobs that come to Canada from our investments abroad, which totalled \$194 billion in 1997, underline the importance of developing rules that promote and protect foreign investments.

It is no wonder that, from the beginning, Canada has put the highest priority on an international economic and trade system that is based not on power but on the rule of law set out in a network of rights and obligations.

II. TRADE, INVESTMENT AND THE MULTILATERAL SYSTEM

The network of rights and obligations that form the multilateral trading system has brought unprecedented global prosperity through liberalized trade and investment.

Canada was active in the negotiations that led to the founding of the General Agreement on Tariffs and Trade (GATT); Canada was one of the founding members of the GATT; a Canadian, Dana Wilgress, served as the first Chair of the CONTRACTING PARTIES in 1948, and another Canadian, Jake Warren, was the first Chair of the GATT Council, in 1960. This engagement in, and commitment to, the multilateral trading system has never wavered, and the reasons are clear.

Global trade in goods now totals a staggering \$5.2 trillion per year. In the period from 1950 to 1994, world merchandise trade grew by more than 6 per cent a year, while the annual growth in world output was less than 4 per cent. Over the years, national economies have become much more dependent on international trade. When the GATT was negotiated, not more than 7 per cent of global

economic activity was based on trade. Today, that figure averages 22 per cent and is higher for a number of countries.

This tripling of the role of trade illustrates two facts: nations are becoming more interdependent in their economic relations, and our work is not finished. There is still room for growth.

The GATT and the World Trade Organization (WTO) provide an invaluable network of rules in key areas such as trade in goods, services, agriculture, intellectual property, government procurement and (most recently) telecommunications and financial services. The prosperity that this has brought to our peoples underpins our economic development and makes a substantial contribution to global peace and security. This is one of the major achievements we are celebrating this week on the occasion of the 50th Anniversary of the GATT. The global community needs to appreciate and hear more about this unique contribution made by the GATT and the multilateral trading system. Canada firmly believes that this network of transparent, predictable and enforceable rules should continue to be expanded for the mutual benefit of all WTO Member countries.

III. REGIONALISM AND MULTILATERALISM: COMPLEMENTARY, NOT COMPETING

Regional and bilateral free-trade arrangements strengthen the multilateral system by demonstrating new avenues for liberalization and by defining for our citizens the role, purpose and benefits of the WTO.

Canada has built on the lessons of the multilateral trading system in developing bilateral and regional trade agreements.

The Canada-United States Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA) have shown how trade liberalization can stimulate economic growth and create employment. Since the FTA came into effect ten years ago, trade between Canada and the United States has more than doubled to over \$1 billion every single day.

Canada will actively participate on the full range of issues within the WTO, but we are not standing still on other fronts. We have negotiated free-trade agreements with Israel and Chile. We are an active member of APEC (the Asia-Pacific Economic Cooperation forum), the premier trade and economic cooperation forum in the Asia Pacific region. Prime Minister Chrétien and 33 other leaders from the hemisphere have formally launched negotiations for a Free Trade Area of the Americas (FTAA), due to come into effect in 2005. Canada has the honour of chairing the Trade Negotiating Committee for the next 18 months and hosting the next meeting of FTAA Trade Ministers in Canada in 1999, as well as the next Leaders' Summit. Canada is engaged in exploratory discussions on the scope of a possible free-trade agreement with EFTA (the European Free Trade Association). We continue to explore all options to enhance transatlantic trade liberalization with the European Union.

Canada is certainly not alone in this expansion and exploration of new trade arrangements. Only a handful of countries in the world now do not have some sort of preferential trading arrangement as part of their overall trade structure. An important challenge for the WTO is to consider how to integrate these regional processes into global rules for the benefit of all Members.

The Canadian experience is that bilateral and regional trade agreements, properly constructed with due respect to WTO obligations, can complement and assist the WTO. They challenge the multilateral system by demonstrating new avenues and new ambitions for the liberalization of trade and investment. Countries can sometimes achieve in a smaller grouping what they are not ready to negotiate multilaterally, but having done so, they set new standards for the multilateral system.

The impact of bilateral and regional agreements can be more immediate and more measurable than is the effect of broad multilateral rules. When the impact is as positive as it has been for the Canada–United States FTA and the NAFTA, there is a clear demonstration effect of the role of trade in economic well-being, and hence a base on which to build broader support for general trade liberalization.

IV. THE WTO: ENGAGEMENT AND TRANSPARENCY

The WTO is addressing a new and more challenging trade agenda that demands much greater engagement and communication at national levels, and new levels of transparency internationally.

In 1948, the GATT was launched with 19 founding members. Now the multilateral trading system is a global undertaking of 132 countries, with about 30 countries at various stages of negotiating accession to the WTO.

The trade policy agenda has not stood still. The new agenda goes beyond traditional border measures, tariffs and quotas. It presents considerable challenges, not the least in the need for greater transparency in shaping and conducting negotiations, and in the day-to-day work of the WTO.

The most recent meeting of Quadilateral Ministers encouraged the Director-General to explore means within the WTO to enhance consultations with representatives of civil society. For this to be successful, Members must be open to exploring new avenues. One possibility worth considering might be in the FTAA negotiations, where a committee has been struck to receive inputs and present a range of views to Ministers from business and other sectors of civil society, such as labour, environmental and academic groups working with government representatives. If we can be ambitious and innovative in one forum, why not in others?

The WTO has some distance to go in promoting greater transparency and ridding itself of the image of a closed and secretive shop. Given the importance of international trade to global prosperity and the key role played by multilateral rules in governing trade, the need for transparency at the WTO is all the more acute. Members should be able to agree quickly on a number of measures that would show our commitment and willingness to open the process. We could, for instance, undertake to circulate more documents as unrestricted; we could release a public version of panel submissions for inclusion on the WTO Website at the appropriate time; we could issue proposed agendas for meetings as public documents; and we should be able to agree on a faster derestriction of the minutes of meetings - namely, after one month instead of six.

The whole area of dispute settlement is one that needs reconsideration in terms of increased transparency. We should agree that this will be a key element in review of the dispute settlement understanding, to be carried out later this year.

Improved transparency and openness at the international level must be matched by domestic engagement and communication. There is some apprehension globally about the pace of economic change, a sense of powerlessness in the face of global movements and corporate amalgamations, and a questioning of the value of trade liberalization, particularly its effects on the environment and wider social issues.

In light of these concerns, governments must engage in open and well-informed public debates on trade and investment liberalization. They must define the positives, for which good starting points are the Organization for Economic Co-operation and Development (OECD) Study on the Benefits of Trade and Investment Liberalization, and the WTO Annual Report. They must also ensure that the gains from liberalization are as widely shared as possible, and that policies are in place to help those most affected by adjustment.

V. DEFINING THE WAY AHEAD

There is considerable work under way now in the WTO, preparing for mandated negotiations and building on decisions taken at the Singapore Ministerial Meeting. The new challenge is to review these and other possibilities for liberalization in close consultation with domestic interests, in order to develop options and recommendations for the 1999 Ministerial Meeting.

The core of current work in the WTO is completing the built-in agenda that we agreed to in Marrakesh, and continuing to develop the work programme agreed to in Singapore. Canada remains firmly committed to the view that full implementation of the Uruguay Round agreements is key to the way forward. But just as the modern world of commerce does not stand still, neither does the work of the WTO itself.

What shape will future work take? Clearly, the world is moving in the direction of continued trade liberalization. However, many questions remain as to how we might best balance different ideas on the scope, timing and shape of future negotiations to take into account individual countries' concerns and aspirations.

Some have called for the launch of a comprehensive new round of multilateral negotiations, covering a full array of new issues and unfinished business from previous talks. Others wish to tackle sectors on an individual, case-by-case basis.

Between these two extremes, Canada believes that consideration should be given to a cluster approach that would group issues together for negotiation as distinct packages and at different times. This would offer a balance of incentives to encourage different countries to move forward, while providing an early harvest in some sectors and avoiding the intimidation of a full-blown round that would likely take years to negotiate. Talks would not be held hostage to the most difficult and therefore slowest issue of negotiation. Countries would also have time to consolidate gains from previous negotiations.

In addition, questions have been raised regarding the substance of potential future negotiations. We will need to address these issues through extensive consultations at two equally important levels: internationally, between WTO Members; and domestically, between individual governments and their publics. These questions include the following:

- How can we ensure that WTO disciplines are conducive to strengthening electronic commerce? This fall in Ottawa, Canada will host a major international conference at the ministerial level on global electronic commerce;
- Within the global trading system, what can we do to develop a more certain and secure framework for promoting and protecting cultural industries?
- How can we guard against erosion of rights to regulate for reasons of public health, consumer safety, social policy and other public interests?
- In the sale of goods and services abroad, what steps can we take to reduce impediments caused by the arbitrary application of standards and regulations? How can we ensure that these standards and regulations are set at appropriately high levels, applied equitably and based on science?
- How do we approach the potential further reduction or elimination of customs tariffs on industrial goods to benefit our industries and consumers?

- How can we facilitate and improve trade through more efficient customs procedures and border measures?
- How should we deal with the unjustified use of anti-dumping and other trade remedy measures?
- In what ways can we promote better rules for service providers?
- How can we build on WTO work to address issues affecting investment and competition?

As mentioned earlier, in considering all options, we must continue to engage civil society to carefully define our long-term objectives. Our actions must be governed by openness and flexibility, not by rigid ideologies or institutions. We must increase the transparency of the WTO and build broad-based constituencies with a thorough understanding and confidence in the multilateral trading system. We also cannot proceed without respecting and engaging the interests of all WTO Members. In particular, we must recognize the special concerns of the less-developed or least-developed Members.

All this will be vital to ensuring that trade and investment liberalization meets the key needs and interests of all our peoples. Only then can trade liberalization - and the prosperity it brings - be sustainable for our long-term, mutual benefit.
