

Mr. Peter Clark (President, Grey, Clark, Shih and Associates, Limited):

Thank you, Mr. Chairman.

I consider that Canada's need to get closer to ASEAN on trade and investment, including a free trade agreement, is rather more urgent than Mr. Woo suggested. ASEAN is a very large potential market. It's becoming increasingly affluent, and the way that trade and investment work, we can no longer afford to be left behind, relying on the United States market, where the preferences that we negotiated in 1988 continue to be eroded every time the Americans negotiate a new free trade agreement of their own.

The ASEAN countries are also ideally placed for Canadian manufacturers to work and invest in. Work with ASEAN in supporting these international supply lines to industries such as automotive, computers, other high-tech industries, and white goods industries. These industries are moving to the area.

We used to have these industries. We still produce parts. We still produce some of these products. The potential for Canadian manufacturing in the area will not be achieved unless we have free trade with ASEAN, and let me explain to you why.

We work with Canadian multinationals that have plants all over the world and have to determine, from time to time, where to source components or to build parts that they've been asked to supply worldwide for a major manufacturer. The analysis that we do for them is, firstly, what the duties are that they must incorporate into their products on inputs that they must bring into Canada, as well as whether or not, if there are duties, they can be drawn back on export because of the restrictions in free trade agreements.

These agreements are very detailed. It's not unusual to have 5,000 lines to 7,000 lines in a tariff. Rules of origin differ from product to product. What we generally find when we're putting together the numbers is that because of restrictions on drawback, the foreign suppliers who are in the best position are those who have free trade access to our market, so that there's no duty on the input and nothing to lose on the transaction.

We have been slow in negotiating free trade agreements, sometimes because we try to do them in too perfect a way. Mexico, on the other hand, has negotiated with nearly forty countries successfully because the Mexican approach, recognizing that a free trade agreement only has to cover 85% of the trade, is much more pragmatic. They leave the differences aside and resolve them later through joint ministerial committees. We keep trying for perfection and trying to satisfy everybody. As a result, we haven't had an agreement for the last five years.

We've also picked a number of potential partners whose relevance and importance are highly dubious. The markets tend to be small. What we should be dealing with are bigger markets.

I would agree that Canada's importance in Southeast Asia has been declining. That's not a reason not to try to catch up.

We have to analyze our trade with the area as well. We are in a deficit of about \$6 billion with ASEAN countries, but in many cases...for example, if you take Thailand, the trade runs four to one in Thailand's favour, but you have to go down to the sixteenth most important item, after passing over \$1.5 billion out of \$2.2 billion in exports, to find something that we compete with them in. Before that we're dealing with shellfish, we're dealing with shrimp, or we're dealing with certain electronic and high-tech equipment, while on the other side of the ledger we're providing components, inputs, and technology

for production. So we really have to take a look at what we're doing and do it much more seriously.

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There is the reaction that we should not be competing in this area because the industries are low-cost producers, low-wage producers. First, we've already adjusted to the United States. Second, these trade agreements provide for phase-ins. Third, in the clothing and footwear area Bangladesh already has duty-free entry, and you're not going to get anybody more low-wage than they are. So we've already taken a number of decisions that suggest we have to take a fresh look.

There are also opportunities in these markets for agricultural exports. Thailand, for example, was the only ASEAN member that did not sign on to the trade agreement with Korea, because they couldn't get adequate access to agricultural products in the Korean market.

These trade agreements can't resolve all of the horizontal issues that have to be addressed. They can't resolve agricultural subsidies, for example. But when you're dealing with agricultural subsidies, that's a much bigger impediment to the United States than to us because their subsidies are so much greater. Even in our agreement with the United States, we have reserved most of our GATT rights or WTO rights on agriculture. So you can deal with textiles, clothing, and agriculture, but the fact is that we can't stand still. We can't ignore these markets. We can't ignore the fact that they're going to have duty-free access to India and China probably faster than we can negotiate it, and we can work together to provide inputs, exchange inputs, and enhance investment. We already have two FIPAs in the area. The potential is there, and if we don't catch this train before it leaves the station, we're going to be standing in the station for a long time.

There's nothing happening in Geneva. The United States and the European Union are talking to each other. They're resolving their problems. Mr. Verheul told the committee a few days ago that they're not necessarily addressing our problems. When the United States deals country by country with a number of developing countries, they are trying to extract specific market access concessions for the United States. They're trying to do bilaterals as well in the context of the WTO.

We need to move further and faster, and we need to be more flexible. You don't have to do all of the deals the same way. Korea took an interesting approach to ASEAN with a framework that can be modified, because many of the countries within ASEAN are at very different stages of development and ability.

We need to take a fresh look at bilaterals and markets where we can benefit and expand our trade. We negotiated an agreement early with Chile, but there have been suggestions that it really didn't increase our trade much with them. But Chile has free trade agreements with 41 countries, and I think if we hadn't negotiated a free trade agreement with Chile we would have lost a lot of what we have.

Thank you.