watching and participating in discussions concerning "Pacific cooperation."

Many Canadians feel that Canada could reap significant benefits from being a part of any regional initiative in the Pacific. However, considering the primacy of Canada's economic ties with the United States, it is unlikely that Canada would enter into a regional cooperation venture that excluded American participation.

Government representatives have also been careful to stress that Canada's interest in regional cooperation in the Pacific does not contradict Canada's commitment to the existing multilateral system. Rather, regionalism is viewed as a complementary aspect of multilateralism, and thus any regional initiatives would be governed by existing multilateral rules and objectives.

New-found Interest

Canada's new-found interest in the Pacific region can also be attributed to the growing realization that international economic activity has been slowly shifting from the Atlantic to the Pacific. While Japan, as the obvious force behind this shift, is the primary focus of Canada's interest in the Asia-Pacific, it is quite evident that the region's developing countries are also becoming more important economic actors.

All eight Asia-Pacific developing countries recorded higher real GDP growth rates during the 1970s than the industrial countries in general and Canada specifically.

In addition, these countries also posted much more impressive trade growth than Canada and two of its largest trading partners, the United States and Japan.

Despite this economic record and Canada's professed interest in the Asia-Pacific, Canada's trade with these countries is minimal when compared with American and Japanese involvement in the region.

Only 2.3 percent of Canada's total trade in 1981 involved the eight Asia-Pacific countries compared with 10.6 percent for the United States and 19.9 percent for Japan. Similarly, only 1.2 percent of the Asia-Pacific developing countries' total trade was with Canada, while 20.0 and 22.0 percent of their trade involved the United States and Japan respectively.

Generally speaking, Canadians have found it extremely difficult to alter their traditional trading patterns and diversify their economic relations. The reasons usually cited to explain this situation centre around the pervasive influence of continental integration and the overwhelming reliance of Canadian exporters on the American market.

Understandably, the American market is closer and allows Canadian exporters to avoid the cultural and language barriers they face in markets such as those found in the Asia-Pacific. However, more and more Canadians — in both the private and public sectors — are seeing a need to turn their attention toward the more dynamic economies of the developing world in general, and the Asia-Pacific in particular.

Trade growing

Canada's evolving trade relations with Hong Kong, South Korea, Taiwan and the five ASEAN countries varies, as one would expect, with their respective levels of economic development and factor endowments.

As the table demonstrates, there is a wide variation in both the composition and volume of goods traded between Canada and these eight countries. However, four main trends are evident.

First, Canada's export strength continues to emanate from the resource sector of its economy. This is especially true in the case of Canada's exports to the so-called "Gang of Four," but it also holds, to a certain extent, for the four near-NICs.

Because Hong Kong, Taiwan, South Korea and Singapore share with Japan the situation of being resource-poor, they have similarly concentrated on importing raw and semi-processed materials from resource-rich countries and exporting primarily end-products.

Since Canada is well-endowed with many of the natural resources that these NICs require, Canada's major exports include wood pulp and paper products, coal, fertilizer and a variety of minerals. Resource-related products are also important in Canada's exports to the four near-NICs, although they figure somewhat less prominently because they too have abundant resource endowments.

Secondly, the developing countries of the Asia-Pacific hold considerable export promise for Canada's services, manufacturing and capital goods sectors.

For example, these nations are in need of basic infrastructure such as communications and transportation networks and power-generating capacity — all areas in which Canadian engineers and contractors have proven experience and technological capability.

Furthermore, because Canada shares with Malaysia, Indonesia, Thailand and the Philippines similar resource endowments, there is a large export potential for Canada's energy, mining, agriculture and forestry industries as well — not necessarily in the resources themselves but, rather, in the equipment and expertise needed to develop them.

Thus, the potential exists for Canada to take advantage of its international competitiveness in a variety of capital-and technology-intensive manufacturing sectors as well as in the resource sectors mentioned above.

Thirdly, it is quite clear that the import challenges posed by the eight Asia-Pacific countries are real. The growth in the percentage share of Canada's manufactured imports coming from the export-oriented and ASEAN groups outpaced that of all other groups between 1970 and 1980. By far the greatest challenge is posed by the export-oriented NICs.

Between 1970 and 1980, this group more than doubled its share of the Canadian import market. Canada's manufactured imports from ASEAN are not as large in volume terms as those from the NICs, although the growth in its share of Canada's market for manufactured imports expanded at rates comparable to those achieved by the NICs.

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A closer look at the composition of Canada's imports from the Asia-Pacific developing countries indicates which Canadian industries are most vulnerable to import competition.

Clothing and, to a lesser extent, textile products are among the leading items of Canadian imports from all of these countries, with Hong Kong, South Korea and Taiwan being the three largest overall sources of total Canadian clothing imports.

Although the value of Canada's imports of clothing and textile items from the other countries is considerably smaller than the value of those from the three main suppliers, these items nonetheless remain important in their total exports to Canada.

Taiwan and South Korea dominate Canada's Asia-Pacific sources of footwear, accounting for 11 percent of Canada's imports from the former, and 10 percent of its imports from the latter.

It is important to note that while clothing, textile and footwear products are still the NICs' major export items, they have also used their abundant labour supply and access to standard technology to become major assembly areas for a variety of transnational electronics firms. Accordingly, office machines, electronic goods and telecommunications equipment also figure quite prominently in their exports to Canada.

Finally, one aspect of Canada's trade relationship with the Asia-Pacific countries which should not be overlooked concerns the general efficiency and welfare gains associated with international trade.

For example, besides providing valuable markets for Canadian exporters, imports from these countries provide an important efficiency stimulus in the domestic market and considerable cost savings for Canadian consumers and Canadian industries that rely on imported inputs. ■