

1985. Canadian imports from Asia exceeded Canadian imports from any other region of the world, except the U.S.. Canadian imports from North Asia amounted to C\$19.8 billion, or 11.7 per cent of total Canadian imports, up from 9.6 per cent in 1985.⁴⁹

Canadian companies have established affiliates and joint ventures in North Asia to conduct labour-intensive assembly for export to markets outside the region. Canadian companies also have affiliates in the region that are engaged in manufacturing for local consumption and resource extraction, among other activities, which are not necessarily export enhancing from a Canadian perspective.

If one assumes that the level of economic interdependence in North Asia will continue to increase, the appropriate business and policy responses should probably focus on increasing Canadian involvement in the region. Unfortunately, a country the size of Canada cannot emulate the approach of Japan, which has been so successful in establishing a commercial presence in Asia. The reason that Canadian firms have a lower presence in Asia than may be desirable may relate mainly to the structure of the Canadian economy and Canadian corporate behaviour rather than to trade barriers in the region. Traditionally, most Canadian firms have focussed on penetrating the U.S. market. Canadian firms' focus on short-term earnings, a lack of familiarity with and lack of awareness about North Asian market opportunities, complacency because of the large size of the North American market, and preoccupation with markets elsewhere have, until recently, dampened interest in North Asia. Regional factors that may be dampening the interest of Canadian firms include: distance to these markets, a lack of familiarity with local business customs and tariffs and non-tariff barriers. Furthermore, as one might expect given its relative size, Canadian government resources for information gathering and trade promotion and development are limited and not of the magnitude of those of Japan, the EU states or the U.S..

Most observers would suggest that establishing a strong presence in Asia is vital to the success of Canadian firms and to furthering overall Canadian objectives there. Canada cannot afford to ignore the increasing importance of these economies. The Government of Canada, provincial governments and Canadian firms must participate actively in Asia. Canadian firms must be urged to consider more seriously the opportunities that this region offers and to pursue them with vigour and patience.

Further efforts should be made to lower barriers to trade in goods and services, reduce subsidies, protect intellectual property and facilitate investment. There is a need for expanding Canadian trade promotion efforts in the region and improving

⁴⁹ IMF, Direction of Trade Statistics, Washington, 1994.