- The increasing importance of trade for these economies and, conversely, their growing impact on regional and world trade flows. For example, the top 30 exporters in world merchandise trade include China, Taiwan, Korea, Singapore, Mexico, Malaysia, Brazil, Thailand and Indonesia. Several have also made their mark as exporters of commercial services.[14]

- The evident capacity of many of these states to raise financing in international capital markets and to attract foreign direct investment, coupled with a relatively open regulatory régime for investment. For example, in 1993 private loans, foreign direct investment and portfolio equity investment accounted for more than 80% of net financial resource inflows to both Latin America and East Asia/Pacific.[15] During 1989-93, Latin America and East Asia/Pacific attracted 70% of all cumulative private capital flows to the LDCs.[16] For their part, Canadian companies have significant long-term direct investments in several Zone 2 countries, including Brazil, Chile, Argentina, Mexico, Singapore, Indonesia, Hong Kong and Malaysia.[17]

Many Zone 2 countries can also make a major contribution to shaping global environmental policy on issues of interest to Canada, such as:

- climate change - for example, China accounts for one-third of total carbon dioxide emissions from developing countries, a proportion that is

[14] GATT, 1994, pp.8-9. Moreover, 17 of Canada's top 30 export markets are Zone 2 countries: Korea, China, Taiwan, Mexico, Hong Kong, Brazil, Venezuela, Saudi Arabia, Indonesia, Thailand, Singapore, Iran, India, Algeria, Colombia, Malaysia and Chile (in descending order).

[15] World Bank, **World Debt 1993-94**, Vol. I, p.5.

[16] European and Central Asian transitional economies accounted for about another fifth. Put another way: "In 1989-93, Argentina, Brazil and Mexico accounted for about 40 percent of long-term bond financing flows (gross) to all developing countries. Similarly, more than half of portfolio equity flows to developing countries in 1989-93 went to three countries: Brazil, Mexico and the Republic of Korea. Five countries (Argentina, China, Malaysia, Mexico and Thailand) accounted for more than half of total FDI flows to all developing countries in 1989-93." See World Bank, **Debt Tables 1994-95**, Vol. I, pp.9-10. Note that in the case of China, part of the FDI comprises PRC capital channelled indirectly into investments in the PRC itself through Hong Kong in order to benefit from the more favourable treatment afforded "foreign" investment in China. This is the so-called "round-tripping" phenomenon.

[17] Policy Staff (CPE), Economic and Trade Statistics Mini Database, No.7 (October 1995), Table 15.