

## 2.2 Canada's Interests in the Asia Pacific Area

The Asia Pacific region is important to Canada and to the global economy. With a population nearing 2 billion, an aggregate gross national income twice that of the European Community and growing rapidly, and the source of nearly thirty percent of global trade, the economies on both sides of the Pacific which make up the Asia Pacific Economic Co-operation (APEC) forum have become an economic powerhouse of vital importance to the rest of the world. Conservative estimates suggest that Asian markets will represent at least half of global growth over the next decade, representing the equivalent of at least 5 new Canadian economies being added to global consumption. Asia has become Canada's second most important trading region after the United States (see Appendix 2-2(a) and (b)) - in 1992, five of Canada's top ten export markets and ten of the top twenty five markets were APEC economies. In comparison, EC members accounted for seven of our top twenty five export markets. Two way trade with APEC economies excluding the USA was nearly 45 per cent greater than trade with the entire EC (\$37.6 billion versus \$ 26.0 billion in 1992).

The Asia Pacific region is also becoming an increasingly important source of foreign direct investment and new technology for Canada. Over the past decade, Japan moved from being the 8th largest foreign investor in Canada to third largest, behind the USA and the UK. Japanese direct investment in Canada has doubled since 1985 to \$5.7 billion, while portfolio investment, mainly in federal and provincial government bonds, has reached \$49 billion. Other Asian economies, such as Hong Kong, Australia, Singapore and South Korea, have also become major foreign investors in Canada.

The outlook for the future is that the APEC region will become increasingly more important to Canada. Led by double digit or near double digit growth rates among what the OECD refers to as the Dynamic Asian Economies (DAEs) -- Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia -- the rate of economic expansion in the APEC economies is exceeding the global average by a large margin. Indications are this growth pattern will continue. From now until the end of the century, the lowest projected growth rate among the DAEs will double Canada's expected growth rate over the same period. Moreover, massive investment flows into and through the region are laying the foundation for a continued rapid expansion in the economies of the region. In 1989, for example, APEC economies attracted nearly \$100 billion in growth-creating foreign direct investment (FDI), some two-and-a-half times the total flow of FDI into the EC. Over the past five years, Japan's domestic investment alone equals twice Canada's GNP.

Canada also has interests in Asia Pacific in terms of its past and present contributions to international development programming. For example, China, India, Indonesia, and Bangladesh have been major recipients of Canadian aid. Some of these countries, and other recipients, have already become part of the Asia Pacific miracle. For example China and Indonesia have rapidly developing economies, and accelerated growth is expected in India as it moves to liberalize its