

probably be viewed as a second-best option, the result of these economies perceiving that they had been left out of other regional arrangements. Moreover, any regional integration scheme would probably encompass the economies of East Asia rather than just those of North Asia.

The viability of this second-best strategy is debatable. The ongoing difficulties that most Asian economies are experiencing in their attempts to penetrate the Japanese market make it unlikely that Japan would be a realistic, or viable, alternative to the U.S. and other western destinations. Furthermore, given the continued importance of U.S. and EU markets to both Japan and the other North Asian economies, it would be difficult for Japan to go it alone with the region, despite its formidable financial resources and record of economic successes. Moreover, Japan would like to have the U.S. remain engaged in the region, to help mitigate the historical animosity between Japan and its immediate neighbours.

The main concern of many Canadians seems to be that Canadian firms are not taking full advantage of investment, trade and market opportunities in Asia, and particularly China, while those from Japan, Korea, Hong Kong and Taiwan are doing so. The implication is that Canadian firms will not be well placed to serve the growing consumer markets of the region. Many observers have suggested that it is vital to the long-term competitiveness of Canadian industry, as well as to Canadian commercial interests and policy, to be a part of the continuing transformation of the fastest growing region of the world. Asia is now the hub of industries such as electronics and a wide range of machinery, and an increasingly important source of new technologies and products. Competing in Asian, particularly North Asian markets, may be an important test of a company's ability to succeed globally. While some of Canada's largest firms may be well placed in the region, small and medium-sized Canadian firms are under-represented. Without an on-the-ground presence, Canadian firms may miss out on information about emerging technologies, products and competitors' activities. This not only reduces the ability of Canadian firms to compete in North Asian markets, but could eventually lead to Canadian producers being blindsided at home by exports from this region.

7.1 Japan's Role

Through a combination of private sector expansion, export promotion and foreign aid, Japan has established a significant presence virtually throughout Asia. The question remains, however, whether its efforts constitute an attempt to dominate the region, a drive to ensure continued competitiveness in light of changed domestic economic conditions, or just an effective business strategy. Whichever it is, Japan will continue to play some sort of leadership role in all regions of Asia, including North