

could eventually lead to Canadian producers being blind-sided at home by exports from that region.

The reason that Canadian firms have a lower presence in Asia than is 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, and complacency because of the large size of the North American market have, until recently, dampened interest in North Asia.

Regional factors that may also 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. To the extent that practices of North Asian governments disadvantage Canadian suppliers, a combination of pressure for change and pragmatic reassessment of Canadian strategies may be in order. To the extent that the rationale for investing in the region is driven by barriers to Canadian exports, it may make more sense from a Canadian national interest perspective to seek the lowering of those barriers, rather than to encourage Canadian investors to set up shop in the region.

Increasing Canadian involvement in North Asia's fast-evolving business environment and still nascent economic institutions is both possible and desirable, particularly within APEC as it becomes more established. Canada should continue to work within APEC to ensure that it maintains its outward-looking orientation, including with regard to the prospects for achieving free trade within the 2010/2020 timeframe adopted by Leaders when they met last November in Indonesia. Such involvement would not only provide Canada with leverage to shape this institution at a crucial moment in its development, but would signal Canadian recognition of its substantial economic stakes in Asia and its intent to pursue a commercial agenda that is both broad and pro-active.