

Canada, the Asia-Pacific Region and APEC

The Asia-Pacific region is important to Canada and to the global economy. With a population nearing two billion, and an aggregate gross national income twice that of the European Community and growing rapidly, the area represented by the Asia-Pacific Economic Co-operation (APEC) forum has become an economic powerhouse. It is the source of nearly 30 per cent of global trade.

Conservative estimates suggest that these markets will represent at least half of global growth over the next decade — the equivalent of at least five new economies the size of Canada's being added to global consumption. Asia has become Canada's second most important trading region, after the United States. By 1994, four of Canada's top 10 export markets and 11 of our top 25 export markets were APEC economies. Two-way trade with APEC economies (excluding the United States) increased by 16 per cent to reach \$52 billion in 1994.

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 eighth largest foreign investor in Canada to third largest, after the United States and the United Kingdom. Japanese direct investment in Canada has doubled since 1985 to \$11 billion in 1994, while portfolio investment, mainly in federal and provincial government bonds, reached \$45 billion in 1994. Other Asia-Pacific countries, such as Hong Kong, Australia, Singapore and South Korea, have also become major investors in Canada.

APEC economies will become increasingly important to Canada. Leading the way are what the Organization for Economic Co-operation and Development (OECD) refers to as the dynamic Asian economies (DAEs) — Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia. Boosted by the DAEs double-digit or near double-digit growth rates, the rate of economic expansion in the Asia-Pacific region is exceeding the global average by a large margin. Indications show that 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 over the same period. Massive investment flows into and throughout the region are fuelling this surge in economic activity and are laying the foundation for continued rapid expansion.

Foreign direct investment flows to the Asian region of APEC have increased from \$5 billion US in the period from 1981 to 1985 to \$21 billion US in 1992. The effects of this economic activity are being felt in Canada through increased export sales, increased investment flows into Canada and a stream of tourists and students.