

EXECUTIVE SUMMARY

Asia Pacific is Canada's second largest trading partner, after the United States. Certain characteristics of Canada's trading relationship with the region are noteworthy. Japan is Canada's major partner and best export market, while imports from South Korea, Taiwan and Hong Kong have been expanding at a rapid rate. Exports lean heavily towards commodities while imports come mainly in end products, especially automobiles, clothing, and consumer electronics. Trade balances have been shifting in Asia Pacific's favour during the 1980s. The growth of Canadian exports to Asia Pacific has not compared well with that of other OECD members.

The explanations for these trends lies in the focus of national economies. The more industrialized the partner country, the worse Canadian trade performs. Poor world commodity markets during the 1980s have hurt Canadian exports, and the importance of the United States market to the Canadian economy causes trade with other countries to pale in comparison. Growing imports from the aggressively industrializing countries in Asia Pacific, however, accounts for much of the decline in terms of trade. The ability of these countries to compete in labour-intensive, mass-production industries has pushed them into the forefront of world economic growth.

As we head into the twenty-first century, Asia Pacific appears ready to lead worldwide economic expansion. Within the region, the flying geese pattern of development will continue to be apparent. Japan, South Korea, Hong Kong, and Taiwan should develop into fully industrialized consumer societies; other countries will take their places as capital-intensive, export-oriented economies; while the least developed members of the region will use labour-intensive industries like textiles to kickstart their industrialization. Most of these countries will require assistance in the development of the infrastructures necessary for the functioning of an economy in this technological age.

The development of these infrastructures is where Canada can make the most contribution by trading with Asia Pacific. We can expand on areas of Canadian strength and skill. Telecommunications, transportation, and energy are the most prominent sectors of Canadian expertise which will be needed by Asia Pacific. Through active cultivation of the available markets, and by participating in a co-operative role via joint ventures and other vehicles for partnership and technology sharing, Canadian participation in the industrialization of Asia Pacific can result in economic gains of great mutual benefit.