

2.2.2 Investment

Foreign direct investment (FDI) is becoming an increasingly important force behind the growth of trade ties, and is a key element in the development of infrastructure as well as in technology transfer. Firms from both Canada and Asia-Pacific have used FDI to spread their influence and activities throughout the region. During the 1980s, FDI from USA and Japan dominated the flows in the region. However, newly industrializing economies have become an important source of FDI, particularly Hong Kong and Chinese Taipei. In the early 1990s, Taiwan was the top source of FDI in Malaysia and Indonesia, and the second most important source in China.

The surge in FDI is, in part, a direct result of the rapid growth of the service sector relative to other sectors in the past decade. Prior to 1985, in the face of strong competition from other countries, Canada's market share of FDI in the region was falling. However, between 1985 and 1990, Canada began to reestablish itself as a foreign investor in the region. Although prudent macroeconomic policies of Asian economies and structural factors in those economies will continue to attract FDI to the region, it seems unrealistic that the economies currently attracting FDI will continue to sustain such high growth rates as they did in the 1980s. Instead, FDI is likely to be channelled to other economies, such as Vietnam, China and India, where the investment climate is improving.

Many Asian economies are now both FDI sources and FDI recipients. The growth in bilateral FDI affects the regulatory environment and governments must be aware of the impact of domestic policies (as well as foreign policy) on neighbouring economies. This increased interdependence requires stability and security in the region, which Canada can help promote.

2.2.3 Development Cooperation

As indicated above under 2.1, Canada has played a sizeable and influential role in international development programming in Asia since the 1950s. The Canadian International Development Agency's (CIDA) mission in Asia is "to involve Canadians in cooperation for sustainable development in Asia, in a manner that builds relationships and promotes Canada's long-term interests". It has five broad program priorities². CIDA has core programs in Bangladesh, China, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, and Vietnam. In addition CIDA supports ASEAN and Regional Institutions Programs and the South Pacific Island States. In 1991/92 CIDA's total disbursements to Asian countries

²These are to:

- strengthen the institutional capacity in Canada and in Asia to develop and implement policies conducive to sustainable development;
- cooperate in resolving national, regional, and global environmental problems;
- promote collaboration between the Asian and Canadian private sectors in support of Asian development priorities;
- foster institutional linkages and networks between Canada and Asia;
- encourage respect for human rights and promote good governance.