

Canada's relations with the Republic of Korea have assumed an increasingly broader dimension in economic and political terms. Trade continues to provide a major impetus, reaching a value of close to \$570 million during 1978. Canada had significant success in reducing the negative trade balance as exports reached a value of \$200 million, a 40 percent increase over the figure for 1977. Export potential is excellent for Canadian goods and services, particularly agricultural and manufactured goods, as a result of two recent major Korean policies -- import-liberalization and the restructuring of the economy from light to heavy industry. Several other developments reflected the expansion of Korea-Canada economic relations: the completion of substantive negotiations for agreements on industrial property and double taxation; the establishment of a co-operative framework for joint ventures in construction, and Korean initiatives to study equity investment in Canadian resource development. A three-year textile-restraint agreement was also concluded.

There was a significant increase in ministerial visits during 1978. Further impetus was given to economic relations as a result of visits to Korea by the Minister of Trade and Commerce and the B.C. Minister of Economic Development, and by the May visit to Canada of the Korean Minister of Energy and Resources. The Minister of Veterans' Affairs visited Korea in July to commemorate Canadian participation in the Korean War, while the Revenue Minister's visit in April focused Korean attention on issues involving his portfolio. The visits to Canada of the Korean National Defence College and the vice president of the Korea-Canada Parliamentary Friendship Association gave added substance to bilateral relations. Meetings of officials and exchanges of information on a host of subjects continued to grow, and included energy, communications, statistics, taxation, guaranteed annual income, agriculture and urban planning.

The maintenance of peace and stability on the Korean peninsula remains central to Canadian interests in Korea and the region. Despite South Korean efforts to re-establish a dialogue, discussions with North Korea did not take place. The establishment of a sense of security is also a prerequisite for achieving a greater respect for human rights throughout Korea -- a matter of concern to many Canadians. Canada will, therefore, continue to welcome proposals to reduce tension in the area, while remaining committed to the principle that the Republic of Korea must play a leading role in the negotiation of any settlement of the Korean problem.

Hong Kong remained an important trading partner in 1978 as Canada's trade with the colony stood at \$98 million in exports and \$313 million in imports. The climate for trade was much improved by the strength of Hong Kong's economy and by the conclusion of a textile arrangement. In 1978, Canadian banks were licensed to start banking operations in Hong Kong, which should serve to increase Canadian business activity still further. With the rapid opening of China to the West, Hong Kong's traditional entrepôt role with respect to the Chinese market is likely to be enhanced during the coming years.