

Relations with the Newly Industrializing Economies of Asia

The newly industrializing economies (NIEs) — the Republic of Korea, Taiwan, Singapore and Hong Kong — are currently growing almost three times as fast as the world economy. Their increasing economic importance has raised the question of how these and other emerging economies can be brought more closely into the process of consultations on world economic issues, and can be encouraged to take up new responsibilities to contribute to global economic growth and stability.

The Asian NIEs developed their economies rapidly by emphasizing export growth of manufactured goods at a time when the world economy was expanding rapidly. In 1985, their combined manufactured exports exceeded the value of exports of all countries except Japan, the Federal Republic of Germany and the United States.

In the past year, the importance of the Asian NIEs in the world economy has been increasingly prominent as the result of two key economic features. First, the NIEs' share of global exports of manufactured goods has grown from four per cent in 1975 to about 10 per cent in 1988. Second, the NIEs, particularly Korea and Taiwan, have collectively seen their trade balance grow continuously from US\$11 billion in 1980 to US\$27 billion in 1987. In spite of this growing trade surplus, the exchange rates of these economies are perceived to have remained artificially undervalued since the early 1980s, particularly in terms of the US dollar.

In the Uruguay Round of Multilateral Trade Negotiations the industrialized countries are seeking to have the NIEs gradually assume GATT obligations commensurate with their level of development and their stake in world trade. Principally, this would mean that NIEs would be subject to stricter application of the provisions on balance of payments, which govern the ability of the developing countries to impose import measures to cope with balance of payments difficulties.

Asian NIE membership in existing international policy bodies is mixed. Korea and Singapore are members of both the IMF and the World Bank. Hong Kong, as it is still a colony, and Taiwan are not members of either organization. All except Taiwan are members of the GATT.

In 1986, the four Asian NIEs were Canada's fifth largest source of imports — after the United States, Japan, the United Kingdom and the Federal Republic of Germany. In that same year, the four Asian economies were Canada's fourth largest export market — after the United States, Japan and the United Kingdom.

Canada recognizes the growing economic influence of the Asian NIEs, and is examining ways to involve them more closely in international discussions on global economic policy.

At the Venice Summit in 1987, the growing importance of the NIEs was recognized by Summit leaders, who urged these economies to assume a larger responsibility in maintaining the open world-trading system through reducing trade barriers and pursuing policies that would make their currencies fully reflect their economic strength.