

Statement

Minister for
International
Trade



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Commerce
extérieur

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CHECK AGAINST DELIVERY

NOTES FOR A SPEECH

BY THE MINISTER FOR INTERNATIONAL TRADE,

JOHN C. CROSBIE,

TO THE

FEDERATION OF KOREAN INDUSTRIES

SEOUL, KOREA

September 21, 1989.

I AM VERY PLEASED TO HAVE THE OPPORTUNITY TO JOIN YOU TODAY TO DISCUSS THE IMPORTANT ISSUES OF MUTUAL INTEREST BETWEEN KOREA AND CANADA. BEFORE I BEGIN, I WOULD LIKE TO THANK MR. YOO, CHANG SOON, CHAIRMAN OF THE FEDERATION OF KOREAN INDUSTRIES, FOR ARRANGING THIS MOST PLEASANT LUNCHEON AND MEMBERS OF THE AUDIENCE FOR TAKING TIME FROM YOUR BUSY SCHEDULES TO BATTLE THAT WORLD-FAMOUS SEOUL TRAFFIC TO GET HERE.

FOR MOST CANADIANS, KOREA IS AT ONCE VERY FAMILIAR AND YET QUITE UNKNOWN. BECAUSE OF CANADA'S CONTRIBUTION TO THE UN FORCES IN THE FIFTIES, KOREA IS A HOUSEHOLD WORD IN CANADA. MANY FAMILIES HAVE RELATIVES WHO FORMED PART OF THAT CANADIAN CONTINGENT. ON THE OTHER HAND, OUR HISTORY AND GEOGRAPHY HAVE TENDED TO LINK CANADIANS TO THE U.S. IN THE SOUTH AND TO EUROPE ACROSS THE ATLANTIC. UNTIL RECENTLY, FEW CANADIANS, SAVE OUR YOUNG SOLDIERS, HAD TRAVELLED EXTENSIVELY ACROSS THE PACIFIC TO KOREA.

ALL THAT IS CHANGING, HOWEVER, AS STUDENTS, TOURISTS AND BUSINESSMEN FOLLOW THE TRADE AND INVESTMENT FLOWS THAT HAVE GROWN SO DRAMATICALLY BETWEEN KOREA AND CANADA OVER THE PAST FEW YEARS, AND SEEK TO VISIT THE SITE OF YOUR HIGHLY SUCCESSFUL SUMMER OLYMPICS.

TO MAKE THE MOST OF MY FIRST TRIP TO KOREA, MY SCHEDULE INCLUDES A VISIT NOT ONLY TO YOUR DYNAMIC CAPITAL CITY OF SEOUL, BUT ALSO TWO DAYS IN THE MORE SOUTHERN REGIONS OF THE COUNTRY. DURING THIS VISIT, I HOPE TO DEEPEN AND BROADEN MY KNOWLEDGE OF YOUR COUNTRY, AND CONVEY TO THOSE I MEET, CANADA'S INTEREST IN AND COMMITMENT TO THE PACIFIC REGION AND TO KOREA.

TODAY, I WOULD LIKE TO TAKE A FEW MOMENTS TO DISCUSS CANADA'S VIEWS ON THE EXCITING DEVELOPMENTS TAKING PLACE IN THE PACIFIC REGION, PARTICULARLY WITH RESPECT TO KOREA; TO DESCRIBE RECENT DEVELOPMENTS IN CANADIAN TRADE POLICY; AND TO SPECULATE BRIEFLY ON FUTURE TRENDS IN THE PACIFIC AS A BACKDROP TO A CALL FOR EXPANDED COOPERATION BETWEEN KOREA AND CANADA.

THE DYNAMIC GROWTH IN ECONOMIC POWER OF THE EAST ASIAN ECONOMIES HAS FOCUSED THE MINDS OF CANADIANS ON THE PACIFIC REGION AS NEVER BEFORE. CANADIANS ARE USED TO ASIA BEING THE DOMINANT POPULATION CENTRE OF THE EARTH, BUT ONLY RECENTLY HAVE WE BEGUN TO UNDERSTAND WHAT IT WILL MEAN WHEN ASIA CONSTITUTES SOMETHING LIKE 40% OF GLOBAL CONSUMPTION. TEN YEARS AGO, ONLY 34 PERCENT OF CANADA'S NON-U.S.A TRADE WAS WITH THE ASIA-PACIFIC REGION; NOW THE FIGURE IS 50 PERCENT AND RISING. IN 1988, TWO-WAY TRADE WITH THE REGION WAS \$36 BILLION, WITH EXPORTS MORE THAN \$17 BILLION.

THE SPEED OF CHANGE IN ASIA IS UNPARALLELED AND THE IMPACT ON CANADA IS VERY REAL. NEVER BEFORE HAVE WE RELIED SO MUCH ON ASIAN TRADE.

CANADIANS ALSO REALIZE THAT KOREA IS A PARTICULARLY IMPORTANT PARTNER WITHIN THAT DYNAMIC REGION. THE TIES BETWEEN CANADA AND KOREA HAVE GROWN AT AN EVER INCREASING RATE. KOREAN STUDENTS AND TOURISTS ARE COMING TO CANADA IN GREATER NUMBERS. GROWING TRADE AND RECIPROCAL INVESTMENT HAS MEANT THE ESTABLISHMENT OF INCREASING KOREAN BUSINESSES OPERATIONS IN CANADA AND CANADIAN OFFICES IN KOREA. ALL FACETS OF THE RELATIONSHIP ARE GROWING, BUT CLEARLY OUR TRADE AND INVESTMENT RELATIONS ECLIPSE ALL OTHERS.

KOREAN INVESTMENT IN CANADA CONTINUES TO INCREASE. MAJOR KOREAN SUCCESSES IN CANADA INCLUDE HYUNDAI MOTOR COMPANY, POSCO, KEPCO, SAMMI STEEL, THE KOREAN EXCHANGE BANK AND HANIL BANK. IN MY OWN PROVINCE OF NEWFOUNDLAND, THE HAN YAN CHEMICAL CORPORATION RECENTLY INVESTED \$16.5 MILLION TO ESTABLISH A PCV WINDOW FRAME PLANT IN ST. JOHN'S, NEWFOUNDLAND.

WE HAVE BEEN, AND REMAIN IMPORTANT TRADE PARTNERS. KOREA IS CANADA'S SECOND LARGEST TRADING PARTNER IN THE PACIFIC. OVERALL, KOREA IS CANADA'S FOURTH LARGEST TRADING PARTNER; WE ARE KOREA'S FIFTH MOST IMPORTANT EXPORT MARKET.

TO PUT THIS INTO PERSPECTIVE, WE SHOULD NOTE THAT CANADA'S EXPORTS TO KOREA ARE GREATER THAN OUR EXPORTS TO ALL OF AFRICA, ALL OF MIDDLE EAST OR EVEN SUCH MAJOR EUROPEAN POWERS SUCH AS GERMANY OR FRANCE.

SIMILARLY, KOREA'S EXPORTS TO CANADA EXCEED YOUR SALES TO FRANCE, ALL OF AFRICA, OR ALL OF CENTRAL AND SOUTH AMERICA COMBINED. OUR TWO-WAY TRADE CONTINUES TO INCREASE REACHING \$3.5 BILLION CDN LAST YEAR WITH A 20% INCREASE INDICATED FOR THE FIRST 5 MONTHS OF THIS YEAR. WHILE KOREA ENJOYS A TRADE SURPLUS WITH CANADA, I NOTE THAT IN THE FIRST FIVE MONTHS OF 1989, CANADA'S EXPORTS INCREASED 42.5% WHILE KOREAN EXPORTS TO CANADA INCREASED BY 10.2%.

WHILE PLEASED WITH THE OVERALL INCREASES, CANADA IS PARTICULARLY HAPPY TO SEE OUR CHRONIC AND SIGNIFICANT TRADE DEFICIT WITH KOREA DECLINING IN THE FIRST HALF OF THIS YEAR. WE ARE ENCOURAGED BY THE RECENT TRENDS TOWARDS MARKET LIBERALIZATION IN KOREA WHICH, IF CONTINUED, SHOULD PROVIDE OPPORTUNITIES FOR CANADA TO BOTH INCREASE AND DIVERSIFY OUR TRADE INTO OTHER SECTORS.

WE FULLY EXPECT, HOWEVER, THAT CANADIAN RESOURCE PRODUCTS WILL REMAIN A MAINSTAY OF OUR BILATERAL TRADE WITH KOREA. IN FACT, WE HOPE OUR MARKET SHARE OF COAL WILL INCREASE, JOINING WITH CANADIAN NUCLEAR TECHNOLOGY TO MEET YOUR ENERGY NEEDS. I ALSO BELIEVE THERE ARE MANY HIGHER TECHNOLOGY CANADIAN GOODS AND SERVICES WHICH ARE "FIRST CLASS" AND, WHEN GIVEN THE OPPORTUNITY, CAN COMPETE WITH THE BEST.

I FIRMLY BELIEVE OUR FULL POTENTIAL AS PARTNERS LIES IN FOSTERING A TRULY FREE FLOW OF GOODS, SERVICES, TECHNOLOGY AND CAPITAL BETWEEN OUR TWO COUNTRIES.

IN THIS CONNECTION, THE CANADA/U.S. FREE TRADE AGREEMENT IS AN AGREEMENT LINKED TACTICALLY, STRATEGICALLY, SUBSTANTIVELY AND PSYCHOLOGICALLY TO CANADA'S OBJECTIVE OF A MORE OPEN WORLD ECONOMY. THERE IS NO "FORTRESS NORTH AMERICA" MENTALITY IN CANADA - LET ME ASSURE YOU OF THAT.

AS A MATTER OF TACTICS, THE FTA HAS HELPED TO PREVENT A RISE IN DAMAGING PROTECTIONISM BETWEEN CANADA AND THE UNITED STATES. IT HAS STRENGTHENED OUR NEGOTIATING POSITION IN THE ONGOING URUGUAY ROUND OF MULTILATERAL NEGOTIATIONS IN WHICH KOREA IS ALSO TRYING TO PLAY A POSITIVE PEACEMAKER ROLE.

STRATEGICALLY, THE AGREEMENT SECURES BETTER ACCESS FOR CANADA TO A WORLD SCALE MARKET - A DECISIVE RESPONSE TO CANADA'S AGE-OLD PROBLEM OF MARKET SIZE. IT LOWERS BARRIERS TO TRADE IN VALUE-ADDED PRODUCTS AND SERVICES - BARRIERS WHICH HAVE LONG BEEN OBSTACLES TO OUR DEVELOPMENT AS A VALUE-ADDED ECONOMY. AND IN LOWERING THESE BARRIERS, IT INCREASES OUR ATTRACTIVENESS AS A LOCATION FOR WORLD-SCALE MANUFACTURING FACILITIES - A GATEWAY TO THE NORTH AMERICAN MARKET, A FACT WHICH HAS ALREADY BEEN RECOGNIZED BY KOREAN COMPANIES SUCH AS HYUNDAI AND SAMMI STEEL.

SUBSTANTIVELY, THE AGREEMENT IS FIRMLY BASED ON THE CONCEPTS AND PRINCIPLES OF THE GATT - IN TECHNICAL STANDARDS, PROCUREMENT, EXPORT AND IMPORT RESTRICTIONS ELSEWHERE.

IMPORTANTLY, THE FREE TRADE AGREEMENT IS ALSO A PSYCHOLOGICAL WATERSHED IN CANADA'S HISTORY. IT SIGNALS A NEW, OUTWARD-LOOKING AND MORE CONFIDENT CANADA.

AS A COMPLEMENT TO OUR AGREEMENT WITH THE U.S., CANADA IS GIVING TOP PRIORITY TO THE URUGUAY ROUND OF MULTILATERAL NEGOTIATIONS. THE MULTILATERAL TRADING SYSTEM REMAINS THE CORNERSTONE OF CANADA'S INTERNATIONAL TRADE POLICY. THE FREE TRADE AGREEMENT AND THE MULTILATERAL TRADE NEGOTIATIONS ARE COMPLEMENTARY AND MUTUALLY REINFORCING.

IT IS NOT IN THE INTERESTS OF ANY COUNTRY TO NEGOTIATE BILATERAL ARRANGEMENTS TO THE DETRIMENT OF ITS OTHER TRADING PARTNERS.

WE ALSO BELIEVE THAT THE CONTINUED HEALTH OF THE WORLD ECONOMY DEPENDS ON THE PROGRESS WE MAKE IN THE CURRENT URUGUAY ROUND.

AS A LEADING FORCE IN THE GROUP OF DYNAMIC ECONOMIES OF ASIA, KOREA IS PLAYING AN IMPORTANT ROLE IN THE CURRENT ROUND. FOR EXAMPLE, CANADIAN NEGOTIATORS WILL BE LOOKING FOR KOREAN LEADERSHIP ON THE ISSUE OF AGRICULTURAL REFORM, AND WILL EXPECT TO SEE A CONTINUATION OF KOREA'S RECENT DOMESTIC AGRICULTURAL LIBERALIZATION.

IT IS OUR VIEW THAT A SUBSTANTIAL REDUCTION OF JAPANESE AND KOREAN BARRIERS TO AGRICULTURAL TRADE IS CENTRAL TO AGRICULTURAL REFORM AND TO MAINTENANCE OF THE OPEN TRADING SYSTEM WHICH HAS HELPED TO FUEL ASIAN PACIFIC GROWTH.

A SECOND IMPORTANT MULTILATERAL ISSUE WILL BE THE EXPANSION OF THE GATT TO NEW AREAS LIKE TRADE IN SERVICES, TRADE-RELATED INTELLECTUAL PROPERTY, AND INVESTMENT - REFORMS WHICH MIGHT HELP DIFFUSE THE TENSIONS WHICH HAVE ACCOMPANIED EXPORT-LED ASIAN GROWTH.

WE ARE ENCOURAGED BY THE PROGRESS TOWARDS A HIGH QUALITY GATT AGREEMENT ON SERVICES WITH STRONG PROVISIONS GOVERNING NATIONAL TREATMENT, NON-DISCRIMINATION, TRANSPARENCY AND DISPUTE SETTLEMENT PROCEDURES.

WHILE PURSUING THESE OBJECTIVES AT THE MTN, WE ARE CONTINUING TO SEEK LIBERALIZATION THROUGH BILATERAL DISCUSSIONS, PARTICULARLY IN THE AGRICULTURAL AND SERVICES SECTORS. INDEED, THIS IS ONE OF THE PRIMARY PURPOSES OF MY VISIT HERE THIS WEEK.

FOR EXAMPLE, WE ARE WORKING HARD TO GAIN APPROVAL FOR MANULIFE TO CREATE A JOINT VENTURE INSURANCE OPERATION HERE IN KOREA AND FOR CANADIAN BANKS TO ESTABLISH AND OPERATE FULL SERVICE BRANCH NETWORKS.

WE ALSO EXPECT CANADA AND KOREA TO SIGN AN AIR SERVICES AGREEMENT DURING THE VISIT WHICH WOULD CREATE DIRECT CANADA-KOREA FLIGHTS BY AIR CANADA IN 1991.

RETURNING TO AN EARLIER THEME, WE SEE THE FREE TRADE AGREEMENT AS HELPING TO REVERSE THE TIDE OF PROTECTIONISM BY SETTING A PRECEDENT FOR THE MTN. WE SEE THE PIONEERING WORK OF THE FTA AS A CATALYST FOR A STRENGTHENED MULTILATERAL TRADE SYSTEM.

AS A MIDDLE POWER WITH A SMALL DOMESTIC MARKET, IT IS CRITICAL FOR CANADA TO SUPPORT THE GOAL OF AN OPEN WORLD ECONOMY BASED ON RESPECT FOR THE RULE OF LAW IN MULTILATERAL TRADE.

WE ENCOURAGE KOREA TO EMBRACE THE SAME VIEW , NOT JUST FOR ITS LOGIC, BUT FOR ITS PRACTICAL BENEFITS.

THIS IS NOT ALWAYS AN EASY OR POPULAR MESSAGE FOR A POLITICIAN TO CONVEY. HOWEVER, DURING OUR LAST NATIONAL ELECTION, CANADIAN VOTERS TOOK UP THE CHALLENGE TO CREATE AN ECONOMY CAPABLE OF COMPETING ON A GLOBAL BASIS FROM A STRONG NORTH AMERICAN BASE CREATED BY THE FTA.

THE PRIME MINISTER ALSO DECLARED, DURING THAT ELECTION CAMPAIGN, THAT CANADA WOULD EXPAND ITS ROLE IN THE PACIFIC RIM. THIS CHALLENGE IS PARTICULARLY IMPORTANT AS WE LOOK TO THE ECONOMIC GROWTH FORECASTS FOR ASIA.

TODAY, THE VOLUME OF TRANS PACIFIC TRADE BETWEEN ASIA AND NORTH AMERICA EXCEEDS \$300 BILLION A YEAR. BY THE TURN OF THE CENTURY, WE EXPECT THAT TRADE TO EXCEED \$500 BILLION. BY THAT TIME, ASIA PACIFIC WILL CONTAIN 60% OF HUMANITY, 50% OF GLOBAL PRODUCTION AND 40% OF GLOBAL CONSUMPTION. CLEARLY, IT IS TIME THAT CANADA DEVELOPED ITS OWN PACIFIC PERSONALITY. AND WE INTEND TO DO JUST THAT.

WE ALSO FULLY EXPECT KOREA'S ECONOMIC ADVANCES WHICH HAVE BEEN THE ENVY OF THE WORLD TO CONTINUE. WE ANTICIPATE THAT YOUR COUNTRY'S TRANSFORMATION FROM A RURAL, AGRARIAN SOCIETY TO AN ADVANCED, INDUSTRIALIZED SOCIETY WILL ALSO CONTINUE.

AT THE SAME TIME, WE RECOGNIZE THAT THE SPEED OF CHANGE IN KOREA IS UNPARALLELED AND THE SOCIAL TENSIONS ARISING FROM SUCH RAPID CHANGE ARE FORMIDABLE. WE RECOGNIZE THE DIFFICULTIES IN MANAGING SUCH CHANGE. BUT WE ARE CONFIDENT THAT YOU WILL BE ABLE TO MEET YOUR DOMESTIC NEEDS WHILE MEETING YOUR INTERNATIONAL OBLIGATIONS.

WE BELIEVE THAT IT IS THROUGH TRADE LIBERALIZATION IN ALL SECTORS THAT CANADA AND KOREA CAN DEVELOP A MUTUALLY BENEFICIAL RELATIONSHIP BASED ON COMPARATIVE ADVANTAGE.

CANADA'S CURRENT TRADE AND INVESTMENT RELATIONS WITH KOREA HAVE LAID A SOLID FOUNDATION FOR FUTURE SUCCESS. BUT WE NEED TO GO BEYOND, WE MUST GO BEYOND, OUR CURRENT EXCHANGE OF RAW RESOURCES FOR MANUFACTURED PRODUCTS TO BUILD A BROADER, MORE DIVERSIFIED AND ULTIMATELY MORE BENEFICIAL TRADE RELATIONSHIP.

DURING MY MANY MEETINGS THIS WEEK, I WANT TO REITERATE CANADA'S COMMITMENT TO KOREA AND URGE GOVERNMENT AND INDUSTRY LEADERS TO WORK ACTIVELY WITH US TO:

- EXPAND THE RANGE OF GOODS AND SERVICES EXCHANGED BY OUR TWO COUNTRIES;
- TO INCREASE OUR RECIPROCAL INVESTMENTS;
- TO INCREASE OUR SCIENTIFIC AND TECHNOLOGICAL EXCHANGE THROUGH ACTIVE PARTNERSHIPS;
- TO CAPITALIZE ON OUR COMPLEMENTARY STRENGTHS AND KNOW-HOW; AND
- TO LOOK INTO CREATIVE WAYS TO PURSUE OTHER MARKETS AND TO DEVELOP NEW PRODUCTS ON A COOPERATIVE BASIS.

IT IS TIME FOR CANADA AND KOREA TO FOCUS SERIOUSLY ON OUR RELATIONSHIP, TO TAKE ADVANTAGE OF OUR SIMILARITIES AND TO WORK COOPERATIVELY TO EXPLOIT OUR DIFFERENT STRENGTHS. IT IS TIME TO STOP LOOKING PAST ONE ANOTHER TO BIGGER OR MORE POWERFUL PARTNERS AND TO MOVE TO A NEW LEVEL OF UNDERSTANDING AND COOPERATION.

THE FUTURE IS INDEED PROMISING. WE HAVE ONLY TO TAKE UP THE CHALLENGE.