

Statement

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE RAYMOND CHAN,
SECRETARY OF STATE (ASIA-PACIFIC),
TO THE PHILIPPINE CANADA TRADE COUNCIL**

**VANCOUVER, British Columbia
February 11, 1995**



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Ladies and Gentlemen:

It is indeed a pleasure to be back home in Vancouver and I am grateful for the invitation to address you today on the subject of our commercial relationship with the Philippines.

I had the opportunity to visit Manila in August and meet with President Ramos and several of his cabinet members. I also spoke at the Canadian Chamber of Commerce monthly luncheon, and learned from the members of some of the projects and opportunities that these Canadians are pursuing. What struck me the most about this visit was the marked boom in the Philippine economy, the strength of our bilateral relationship with the Philippines, and the potential for increased Canadian involvement in current and future projects in the Philippines.

The Philippine economy is a rapidly emerging success story. In 1994 the economy grew by more than 5 per cent and the forecast for 1995 is for 5 to 8 per cent growth. Finance Secretary De Ocampo predicts it will be 10 per cent by 1998. At the World Bank and IMF [International Monetary Fund] meetings in Madrid in November, he faced an unfamiliar, if welcome, dilemma. A year ago, he couldn't get a meeting with anyone. This year everyone wanted to arrange meetings with him, to talk about the Philippines!

The country is firmly shouldering its responsibilities on the world stage - and positioning itself for a successful future. The Philippine Congress has ratified the Uruguay Round of the General Agreement on Tariffs and Trade. And the Republic of the Philippines will be therefore a founding member of the World Trade Organization.

The countries of the region are also taking steps to accelerate the removal of trade barriers and strengthen the system of open, rules-based trade. The Asia-Pacific Economic Co-operation [APEC] forum's commitment to trade liberalization in Bogor, Indonesia, last November is a major step forward. The Bogor Declaration calls for free trade by the year 2020, and 2010 in the developed countries of APEC. The Asia-Pacific region will be a major force for economic growth and prosperity at the opening of 21st century.

The Ramos administration deserves credit as the architect of this economic recovery since coming to power in 1992. The evidence of the success of economic reforms is compelling. For example, investor confidence is up. The Philippine stock market rose 125 per cent in 1993 and remained at those levels in 1994.

For me, the most visible example of this was that the water in my mini bar was still cool in the middle of the day! Power outages of 8 to 10 hours a day were costing the country an estimated \$1.5 billion annually in business losses. President Ramos took action. He obtained congressional approval to cut through red

tape and reorganize a variety of government agencies into a single department. He quickly developed a remedial plan and pushed through an accelerated schedule of "fast-track" power plant construction that added 1246 megawatts to national power grids in 18 months and eliminated shortages in less than two years.

When President Ramos and I met in August he clearly expressed his appreciation for the economic ties between Canada and the Philippines. In our discussion the correlation between the needs of the burgeoning Philippine economy and Canadian supply capability became quite clear.

In August I also met President Sato of the Asian Development Bank [AsDB] who noted that Canada is well positioned to participate in the wide-ranging infrastructure demands in the Philippines. The AsDB represents a significant potential market for Canadian business. Many Canadian consulting firms are already aware of the opportunities. The key message I took away from those meetings was how important it is that Canadian companies wanting to do business in the ASEAN [Association of Southeast Asian Nations] region develop good local partnerships.

The Canadian government is doing its part to "pave the way" for easier access to the Philippine market. Last week Canada began negotiations in Manila on a Foreign Investment Protection Agreement, or FIPA, with the Philippines. The FIPA, is a reciprocal bilateral agreement to protect and promote foreign investment between our two countries. It serves to delineate the respective rights and obligations of the signatories with respect to the treatment of foreign investment, and promote a stable investment climate. Many of you in the business community were contacted before we began, to provide us with advice and suggestions about the Philippine investment climate as you have experienced it. We will of course be interested in your ongoing feedback once the FIPA is in place.

We are also working on an Air Services Agreement so that direct air services by Canadian and Philippine carriers can begin. With over 150 thousand Filipinos living across Canada, many of them in Vancouver, we want to ensure direct air links, which will make it easier to travel back and forth. We believe strongly that regular, scheduled flights will be good for business.

Trade, as you all know well, is the breath of life to the Canadian economy. Every \$1 billion in exports sustains about 12 000 jobs. More than one quarter of our GDP is attributable to trade. Canada ranks 31st in the world in population. But we have the eighth-largest economy in the world and the ninth-highest per capita GNP. How did so few of us do so much? Certainly not by only selling to each other.

Canada values highly its trade relationship with the Philippines. In 1993, we enjoyed a two-way trade figure of \$578 million, and it has been growing at about 15 per cent per year for the last two or three years. Philippine imports to Canada are double our exports. But the full extent of Canadian exports is masked by some under-reporting by Statistics Canada due to transshipments through the United States. As well, our considerable service exports are not included in the export data.

Still, Canadians are challenged to find new markets, and opportunities abound to increase our economic activity in the Philippines. Now more than ever, the Philippine market is open for business and Canada has excellent products and services to offer. As part of his sweeping reforms, President Ramos has liberalized what was once a highly restricted marketplace for financial services and opened it up for new investors. At the same time he has broadened the opportunities for those already there.

Two companies which have been active in the Philippines for years are the Bank of Nova Scotia and Sun Life Assurance Company of Canada. Up until recently, Sun Life invested heavily in government paper, partly because T-bill rates were as high as 16 per cent. Now rates are down to 10 per cent, making other investments more appealing.

The Bank of Nova Scotia is interested in setting up a branch network in the Philippines to complement its minority interest in a domestic Philippine bank. Under the new law recently passed by the Philippine Congress, up to 10 foreign banks will be able to start wholly owned operations in the country with up to six branches each. The Toronto Dominion Bank is also hoping to be selected as one of the 10.

Last year almost 600 Canadian business people visited our embassy in Manila looking for business leads or following up on business opportunities. This indicates a strong increase in interest by Canadians. Some of these visitors were part of trade missions in the telecommunications, remote sensing, energy, agri-food, environment, grains, and transportation sectors.

In addition, a good number of our Canadian firms are pursuing capital projects in the Philippines. It is estimated that the Philippines requires investment of more than \$20 billion in infrastructure over the course of the next 10 years if it is to sustain its rapid growth. This includes roads, railways, ports, airports, power generation and transmission, urban water systems, irrigation, urban mass transit systems, environmental protection, schools, hospitals and the rest. The job ahead of the country is truly formidable, and Canadian expertise and equipment can help fill the requirements.

Last week, the Department of Foreign Affairs and International Trade participated in consultations organized by the Canadian International Development Agency [CIDA] across the country to help formulate CIDA's next five-year country program for the Philippines. A clear message emerged from the working groups in all cities, which were comprised of both industry and non-governmental organizations. CIDA should be formulating and delivering its programs increasingly through the existing network of Canadian and Philippine non-government organizations and business associations. The groups also suggested that CIDA cooperate with the Department of Foreign Affairs and International Trade to enhance Canadian investment in the Philippines. There is a good chance that we will fund the placement of an investment expert in the Philippine Board of Investments to advise them on potential Canadian sectors and partners.

Canada has a long history of CIDA assistance to the Philippines. We were one of the first foreign governments to resume aid after the 1986 restoration of the democratically elected government. Our aid to the Philippines amounts to over \$25 million annually, and has remained at this level for several years.

When I met President Ramos last year, I stressed that Canada is eager to build on the economic relationship established by our aid program and carry it forward into the commercial sphere. I stressed our firms' enthusiasm for an active role in the commercial rebuilding of the Philippines. To achieve greater participation, some of Canada's larger companies must pursue the projects that are developing as we speak. Some of these companies are ones such as yourselves, and my department and Canadian ministers intend to bring to the attention of the Philippine government the Canadian expertise and qualifications that make Canadian companies ideal partners in future Philippine development.

Canada continues to enjoy a special bond with the Philippines. Many Filipinos have made Canada their home. And we have excellent commercial ties. President Ramos has received an invitation from Prime Minister Chrétien to visit Canada, and has indicated that he will be pleased to do so once his schedule permits. He also mentioned his support for Quebec City's bid to host the Winter Olympics in 2002. Department of Foreign Affairs Secretary Romulo conveyed to me his interest in seeing the Philippines and Canada work together to host the APEC meetings in the Philippines in 1996 and in Canada in 1997.

All of our activities with the Philippines are meant to advance a diversity of objectives and engage a cross section of our people and talent. Part of my role as Secretary of State is to portray Canada as a partner of quality and value, who is in the game for the long haul, rather than the quick fix. I say this because success in the Philippines, and indeed in the entire Asia-Pacific

region, means a commitment not only over time but across many fields of human endeavour. It covers personal ties between leaders; acceptance of certain responsibilities in areas such as peace, human rights and democratic development; recognition of the value of educational and cultural links; and sharing of experience in specific areas such as research and development, environmental preservation, or other challenges of public policy.

For me, there is a special meaning to the engagement, indeed the mobilization of Canadians of Asian origin in the building of our Asia-Pacific partnerships. Canadians of Asian origin, whether representatives of big companies or entrepreneurs from our dynamic small and medium-sized companies, can contribute to the national effort we need. They will add empathy to our Asia-Pacific ties, the kind of cultural affinity so long of benefit to our North American and European links. Much of our success in realizing our aspirations in business will have to do with the success we have in linking our peoples.

For the past year, I have been doing my part and will continue to do so. I hope you can join me in these efforts.

Thank you.