

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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AS DELIVERED

AN ADDRESS BY
THE HONOURABLE MICHAEL WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND
MINISTER FOR INTERNATIONAL TRADE,
AT THE GOODMAN FORUM
"THE NEW CHINA: CANADA'S OPPORTUNITY
IN THE PACIFIC CENTURY"

TORONTO, Ontario
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Honoured guests from China, the Honourable Edwin Goodman, ladies and gentlemen. I am very pleased to be with you today to take part in this timely forum, which focuses on Canada's relations with China now and in the years to come.

It was just over one year ago that I led a Canadian business delegation to China, to offer support to the already burgeoning Canadian interest in the China market. The breadth of Canadian expertise represented in the delegation was impressive: agriculture, telecommunications, energy, construction, engineering and architectural services.

It spoke a lot for the wide range of sectors where Canada's experience matches so well with China's current development priorities. I was impressed, as were all the Canadians in our delegation, with the business opportunities that presented themselves -- the result of rapid economic growth and China's new market orientation. We were also impressed with the vitality and openness demonstrated by the people we met. These changes have come about largely as a result of the "open door" policies championed by Deng Xiaoping and by the far-sighted policies being implemented by Vice-Premier Zhu Rongji, who spoke to you this morning.

The rapid pace of change in China means that even the most seasoned China hand who has not visited the country for six months is quite out of date.

The ancient Chinese had a saying: *zo ma gwan hwa*. For those of you who cannot understand my Toronto accent, that means "riding on a horse looking at the flowers." The inference is that you can get a beautiful view from a moving horse, but you are never going to get at those flowers and really enjoy them unless you get off the horse, slow down, and take the time to appreciate the garden.

Many in the audience today are already old China hands. However, for the relative newcomers who have expressed an interest in China by being here today, I hope you will take the time and considerable effort required to get off your horses, develop an even better understanding of China, and pick some of the excellent business opportunities that exist there.

This reminds me of an ancient Canadian saying -- ancient by Canadian standards, that is -- as it was coined by one of my more famous predecessors, George Hees. As Minister for Trade and Commerce, Mr. Hees' formula for export success was simple:

Y-C-D-B-S-O-Y-A

Canadians are far less subtle than the Chinese, and there is no hidden inference here whatsoever. Pure and simple, the formula means "you can't do business sitting on your ass." One can assume that Mr. Hees, like the ancient Chinese, was referring to

a four-legged animal, and his philosophy captures the same advice given by the ancient Chinese. Wise words in the highly competitive environment that each one of you will face in the China of 1993 and beyond.

The theme of today's forum is "The new China: Canada's opportunity in the Pacific Century." Canadians have been active in the China market for many decades now. As a traditional market for Canadian commodities such as wheat, potash and sulphur, China has been a reliable trading partner since the early sixties. Indeed, China now stands as Canada's largest single market for wheat and our fifth-largest trading partner overall.

Even more encouraging is the fact that our bilateral trade in 1992 exceeded \$4.6 billion -- a record year. Our trade was in a rough balance, with Chinese exports exceeding ours by about \$300 million.

This is an encouraging sign, but the potential is very large for us to build a reasonable and secure market share in China and, more importantly, to make inroads into the higher technology value-added products where Canadian expertise matches so well China's development priorities: in particular, telecommunications, transportation, oil and gas, power generation and transmission, mining and environmental protection.

Canadian companies are also finding China a ready market for engineering and architectural services. Indeed, China's relatively recent recognition of the value of trade in services should translate into major opportunities for Canadian firms in the nineties. We expect services to take up an increasing proportion of our bilateral trade.

A recent study indicates that at the present time there are over 60 million Chinese with per capita incomes of US\$1,000 or more. The \$1,000-level is often considered by economists to be the threshold for the development of a consumer society.

Certainly these 60 million consumers are seen as a rapidly growing segment of a market within a market, one which Canadian companies should take note of and develop in future years. Our estimates are that this consumer market will increase significantly in coming years because of the sustained economic growth that is anticipated by many observers.

Two-way investment is an area that holds tremendous promise for bilateral co-operation and shared prosperity in the coming millennium. Many Canadian export leaders, such as Northern Telecom, Babcock and Wilcox, Harris Farinon and Alcan are already well entrenched in the China market through outward investment in production facilities in China.

Smaller companies have a presence, too. Recently our Consulate General in Shanghai received a list of over 50 Canadian joint ventures in that city. These were mostly small, service-oriented businesses with obvious potential for future growth in China's largest metropolis and industrial centre.

Northern Telecom's joint-venture experience, for one, has been positive enough to lead that company to embark on what will likely develop into their largest manufacturing base outside of North America. Such initiatives do not export jobs but rather allow Canadians to enjoy a piece of an expanding pie.

For example, I have heard from visitors to the Northern Telecom plant in Shekou that the place is full of crates marked Bramalea, Ontario. Through investing in the burgeoning Guangdong economy, Northern Telecom and several other Canadian companies have seen results in sales not only for their Chinese plants but for their Canadian ones as well.

I mention Guangdong in particular because the growth rate there exceeded 20 per cent last year. The Chinese are worried about the economy there overheating, so I am sure we in Canada would be happy to take a few percentage points off their hands.

Outward investment to China may allow Canadian firms to establish a local presence and develop the relationships and local distribution channels required to successfully position a long-term strategy in China. Many companies can reduce the foreign exchange requirement for their products by assembling in China, thus making our exports more competitive in China and in the Pacific region as a whole.

I am very pleased to note that China's new global perspective now includes the realization of the fact that Canada also is an ideal place in which to invest. There are now many substantial investments by Chinese firms in Canada, to take advantage of our reliable resources and advanced technology. Dr. Ding of CITIC no doubt told you earlier today that his company's largest investment outside of China and Hong Kong is in British Columbia.

China National Petroleum Corporation has recently established offices in Alberta to look at taking equity in the Canadian energy sector. Canada welcomes these developments, and my government and those of my provincial colleagues are working in support of this trend.

During my visit to China last year I became convinced that Canada has a very special place in the hearts of the Chinese people. We would be deluding ourselves, however, to believe that warm feelings toward Canadians are sufficient to secure business opportunities in China.

The competitive environment in China is fierce, and my government has undertaken a number of initiatives to ensure a continuing and expanded role for Canadians there. Canadian business is ably represented by trade commissioners at our posts in Beijing, Shanghai and Hong Kong, a resource with which I am sure many of you are familiar. We are also seeking to raise the competence of Canadian business in Asia through such programs as Pacific 2000, which funds Asian business programs, language training and key sectoral strategies in partnership with industry associations.

Both the Canadian International Development Agency (CIDA) and the Export Development Corporation (EDC) will continue to work closely with our private sector to enhance their export initiatives in China.

Through our government's material support for important China-focused organizations such as the Canada-China Trade Council and the Asia Pacific Foundation, we are trying to foster a "team Canada" approach that combines a deeper understanding of the region with strengthened long-term relationships with key Chinese decision-makers.

Canada attaches a great deal of importance to our relationship with China and I am delighted I was able to invite Vice-Premier Zhu to Canada.

As an able political leader, he can freely discuss matters with me where we do not see eye to eye, while at the same time pursue a forward-looking agenda, whereby we can work more closely together to build a prosperous future.

Earlier today I discussed with Vice-Premier Zhu Canada's concerns about access for Canadian firms in the China market.

As in the past, Canada will continue to expand our trade and economic relations with China, in spite of other differences that may exist between us. China has been one of our most favored trading partners for years, and we do not see its most-favoured-nation status as something that should be manipulated to lever other objectives.

This would be contrary not only to Canada's interests but also contrary to the interests of the Chinese people, whose growing economy will, in my view, create fertile ground for increased pluralism and well being.

Most-favoured-nation status is a two-way street, and we expect from China that it will afford Canadian exporters and investors the very best treatment afforded to its other major trading partners.

We are encouraged by and have stated our support for China's entry into the General Agreement on Tariffs and Trade (GATT). More transparency in China's trade regime and more open access to opportunities for Canadian firms that are willing to compete will move China toward a more market-oriented economy and an early entry into this important multilateral body.

Our common future relies on positive and tangible co-operation, which draws China more closely into the international trading system and provides China with the prosperity and stability its industrious people deserve.

Canadians must not seek to isolate China from the world community, but rather engage China in frank discussions and productively co-operate with China to encourage the creative economic policies with which Vice-Premier Zhu is inextricably linked. Canada and China's long-standing friendship means that we need not be reticent with friends nor be reluctant to share our views frankly.

The "Pacific Century" is one in which both Canada and China will be key players. As a Pacific nation, Canada is becoming more integrated into the region, both through our trading patterns, as well as through active participation in regional multilateral fora such as Asia-Pacific Economic Co-operation. This trend will continue, since transPacific trade is 30 per cent greater than transAtlantic trade and growing twice as fast.

Canada has a special relationship with Hong Kong, which is a major source of immigration, investment and entrepreneurial talent. Our commercial links with Taiwan have increased dramatically since the Canadian Chamber of Commerce opened an office in Taipei in 1986.

I mention these points in the context of the "greater China," which productively incorporates the dynamism of Chinese people throughout the region. This trend is currently under rapid development and, in my view, will create the basis for an even stronger Chinese economy beyond 1997 and well into the Pacific Century, when China is expected to surpass the U.S. with the world's highest gross national product.

Canada must look to the future, to position ourselves to respond to the challenges these developments will present over the coming years. What are the portents for Canada on the trade front? Based on current trends, we foresee capital goods exports to mainland China alone rising to at least one third of all our exports by 1997.

This represents capital goods exports from Canada to China exceeding \$1 billion per annum in only four years' time, tripling today's figure of just over \$300 million. With the current trend

of peaceful integration of the economies of Hong Kong, Taiwan and mainland China, the quantitative implications for our involvement in the greater China region represent the most important trade opportunity for Canada in the coming decade.

In conclusion, I would like to remind you that my department, External Affairs and International Trade Canada, has developed the infrastructure, through the trade commissioner service in China, to guide Canadian companies large and small on a path to success in the China market. I encourage you to take advantage of this knowledge and expertise.

Many Canadian companies that have been successful in China often refer to the need for *Gwanshee*. This means establishing a credible presence in China, sustaining contact with your customers, fostering long-term relationships and getting to know people.

This may appear self-evident, but China presents a challenge even to the most seasoned exporter. Develop a strategy for China, stick to it, and do not hesitate to get our trade commissioners in the field involved in all aspects of your initiative. They know where the flowers are and can give you a hand off your horse to give you a better understanding of the market.

The emphasis that today's forum places on the development of our relations with China is a positive and forward-looking one. Our policy is also one which is forward-looking, seeking to harmonize Canadian and Chinese interests well into the next century. The cornerstone of this policy is one in which China and Canada, both Pacific nations with much in common, work together to ensure mutual benefit and joint prosperity.

The Canadian business community, as represented here today, is the key player to ensure that this policy is translated into tangible results. That is the challenge this forum has set before you today.

I would like to commend Eddie Goodman for his foresight in establishing Canada's opportunity in China as his forum's theme this year. It is now for us, both in the public and private sectors, to work together in a strategic way to implement the insight and advice received here today, and guarantee Canada a place in the China market throughout the Pacific Century.

Thank you.