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CANADA AND THE COUNTRIES OF THE PACIFIC BASIN

An Introductory Statement by Mr. R.L. Rogers, Director-General, Bureau of Asian and Pacific Affairs, Department of External Affairs, to the Canadian Committee of the Pacific Basin Economic Council, Ottawa, April 4, 1977.

The emphasis that has been given to the Pacific area in the ten months since we last met reflects the importance the Canadian Government attaches to strengthening and expanding its relations with governments in the region. There were, of course, normal contacts at the bilateral level, but these contacts were reinforced through visits to countries of the region by the Prime Minister, the former Secretary of State for External Affairs, and the Minister of Energy, Mines and Resources. These visits reflect the Government's policy of diversification in its foreign relations.

In the Pacific, this policy has resulted in greater efforts on our part to co-operate with the countries in the development of mutually-beneficial relations. This co-operation is particularly important given the enormous economic problems facing the Pacific community today — continuing inflation, high levels of unemployment, and uncertainty over energy supplies.

The objectives of Canada's policy in the region — the fostering of economic growth, social justice and international peace and stability — take on increasing importance in the light of current interest in a new international economic order.

When Canada's foreign-policy review was prepared in 1970, it was noted of the Pacific that "the search for expanded opportunity, social justice and a sense of national pride remain fundamental to the search for stability in the region". This is probably even more accurate now than it was in 1970, and provides the underlying motives for Canadian Government attitudes toward the region.

The post-Vietnam-war, post-Mao period has created a sense of uncertainty for countries nearest to the Communist nations of Indochina.

Power balances are shifting as the U.S.A. assumes a less pervasive strategic role in the Pacific and as the Japanese review their role in the region. The attitude of the Government of Vietnam is ambiguous at this time. Will Hanoi concentrate on reconstruction or will it attempt to export its revolution to its neighbours? At the moment, Hanoi appears ready to devote at least some of its energies to rebuilding, and accordingly Canada is ready to offer humanitarian aid. On this point, however, we follow with interest the views of our ASEAN (Association of Southeast Asian Nations) friends.

Policies designed to improve the standard of living and to increase economic opportunities in the Pacific area have been fundamental to Canadian efforts. Political, economic and commercial co-operation is being promoted bilaterally. On the multi-

lateral front, organizations established to assist in promoting greater regional stability, such as the Asian Development Bank, are being supported by the Canadian Government.

In order to realize Canadian objectives in the Pacific, our efforts include the following:

- (1) Intergovernmental consultations on a range of issues;
- (2) expansion of trade relations;
- (3) encouragement of investment and joint ventures;
- (4) refinement of development-assistance programs to the region.

Specifically, in the past ten months, the following achievements are worth noting:

Japan

Prime Minister Trudeau paid an official visit to Japan in October 1976. The centre-piece of the visit was the signing by the two prime ministers of the Framework for Economic Co-operation. The Framework is intended to facilitate bilateral economic co-operation rather than simply attempting to redress the pattern of the trade "mix". The provisions of the Framework, which is quite similar in nature to the "contractual link" with the European Community, fall under three main headings:

- i) the development of trade;
- ii) the development of economic co-operation;
- iii) consultative arrangements.

Under the "development-of-trade" heading, the two governments affirm their commitment to promote the development and diversification of commercial exchanges, to endeavour to expand trade and to co-operate in minimizing the problems of supply and market access.

The "development of economic co-operation" provision is, from Canada's point of view, the key element of the document. It calls upon the two parties to encourage and facilitate:

- i) co-operation between their respective industries in, for example, joint ventures;
 - ii) co-operation in the development and marketing of resources and processed and manufactured goods, including those with a high technology content;
 - iii) greater stability in the production and supply of agricultural products;
 - iv) increased and mutually-beneficial investment.
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The "consultative arrangements" provide for the establishment of a Joint Economic Committee, composed of senior officials, which would normally meet once a year to review the progress of the Framework's implementation and to discuss current economic issues of both a bilateral and a multilateral nature, of interest to both sides. The first meeting is scheduled to be held this June in Canada.

The signing of the Framework has, I believe, created a co-operative atmosphere in which officials and businessmen can now conduct their activities, but I should stress that it is basically that, a *framework*, and it will be up to the private sector, in particular, to give it substance. Provincial governments must also be involved if we are to make progress with the Japanese, and I am pleased to report that considerable effort is being expended to secure their co-operation in co-ordinating our respective responsibilities.

We must be alert, however, to changing Japanese perceptions of Canada, which could alter this situation. They have on occasion expressed concern at trends in federal-provincial relations, labour-management problems and the different roles of government and business as compared with Japan.

Another achievement of Prime Minister Trudeau's visit to Japan was the signing of a cultural agreement to promote the exchange of people, including professors and students. While of obvious intrinsic value, the cultural agreement has beneficial "spin-offs" in our economic relations. Increasing contact between peoples leads to greater appreciation in some quarters of economic capability, and often this leads to increased trade.

In addition, the two prime ministers reaffirmed the commitment of their two countries to continue the increased consultations on international political and economic questions.

Australia and New Zealand

Last September, the former Secretary of State for External Affairs visited both Australia and New Zealand. One of the major purposes of this trip was to demonstrate Canada's strong interest in expanding its relations with the South Pacific countries and to emphasize the importance of these countries to Canada's trade. Indeed, total Australian-Canadian trade approached \$700 million in 1976.

In January, Mr. Gillespie visited Australia, and agreement was reached to exchange on a regular basis information on energy developments.

The Australian economy has shown considerable improvement in the past year. Nevertheless, serious economic problems continue despite devaluation of the Australian dollar by 12.5 per cent, and inflation is expected to be at least 10 per cent this year.

In New Zealand, serious economic problems comparable to those in Australia continue to plague that country. Economic difficulties accounted for the import-deposit scheme, which has been extended to the end of August. Canada continues to push for its removal.

ASEAN countries Mr. MacEachen also visited Malaysia and Indonesia last August to demonstrate strong Canadian interest in Southeast Asia and to encourage closer political, economic, commercial and developmental ties with the countries of the Association of Southeast Asian Nations.

Canada considers ASEAN to have the potential to contribute through increased regional co-operation to greater stability in the area. The degree of success of ASEAN's movement towards regional economic co-operation has been limited since the Association was formed in 1957, but there has of late been a definite strengthening of political will to encourage effective cohesion.

Canadian officials from External Affairs, Industry, Trade and Commerce and CIDA (the Canadian International Development Agency) held the first formal meeting with ASEAN officials in February. The Canadian delegation reaffirmed Canadian support for the goals of ASEAN, and discussions were held on the subject of Canadian development assistance to the organization and views were exchanged on possible future co-operation in trade and economic relations. Agreement was reached to proceed with projects involving a feasibility study for a regional satellite-communications system and for consideration of a regional transport system.

The above initiative towards ASEAN is, of course, founded on long-standing bilateral relations that we have had with these countries.

Indonesia Canada's most extensive relations are with Indonesia, the largest, most influential and potentially the richest country in the region. The Economic Development Corporation and CIDA extended a \$200-million line of credit in 1976. Indonesia is a member of the Organization of Petroleum-Exporting Countries and is a producer, in addition to oil, of lumber, rubber, tin, copper, bauxite and nickel, and will play an increasingly significant role in international oil and commodity discussions.

Thailand Despite political difficulties in Bangkok, our relations with Thailand remain very important. The stability and security of Thailand are key factors in determining prospects for the peaceful political and economic development of the region.

Korea Solid economic growth during the last five years of over 11 per cent in real terms has strengthened not only the economic fabric of the country but also the Government of President Park, despite international censure by human-rights activists over Park's imprisonment of liberal-minded political dissidents. While this has cast a shadow over South Korea, that country's economic performance continues to outshine that of many other developing countries. Inflation is a concern, but not out of control, and unemployment is 4 per cent. The export picture is relatively bright and South Korea's trade deficit appears to be manageable.

China Internal political turmoil in the People's Republic of China (PRC) during 1976 resulted in slowdown in economic growth. The new leadership group under Chairman Hua appears to be pursuing strikingly "moderate" policies and seems disposed to more contacts with the West, in both the trade and cultural areas. China is expected to emphasize growth over ideological concerns in the arrangement of its new five-year plan. China will probably continue to loom in the foreseeable future as a

giant, observing more than leading events, and playing a generally stabilizing role in the Asian arena.

Despite China's internal troubles, relations between Canada and the PRC continued to reflect Canada's strong interest in reducing China's political isolation, and developing a climate of relations conducive to our important commercial interests there. A vigorous program of trade, cultural, scientific, sports, medical and educational exchanges helps build a solid basis for better communication with this potential economic and political super-power.

Naturally, Canada's relations with the Pacific-area countries cover a number of elements of interest to you as well as to us, which time does not permit me to discuss. These include: political developments, such as human rights; the activities of great powers in the region; multilateral political and economic questions such as the law of the sea; and our constant effort to promote a positive image of Canada in societies and cultures often very different from our own....

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