

Statement

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NOTES FOR A SPEECH

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SECRETARY OF STATE FOR EXTERNAL AFFAIRS

"TRADE IN THE PACIFIC RIM"

EDMONTON, ALBERTA

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Secretary of State  
for  
External Affairs

Secrétaire d'État  
aux  
Affaires extérieures

Canada

I am pleased to be with you today. As you may know, we have moved a number of the functions of the Department of External Affairs to Edmonton for this week. This both allows me to operate out of our own province of Alberta and provides direct contact between western Canadians and some officials of the Department of External Affairs. And that all happens here in the Pacific half of Canada. External Affairs, as many of you probably know, already has a presence in this city through the offices of Regional Industrial Expansion, headed here by Frank Jackman, one of our Trade Commissioners, ably assisted by Jack Kepper, another Trade Commissioner, who heads the Trade Division of this office.

I want to spend a few minutes today addressing some of Canada's trade and economic interests in Asia and the Pacific.

The Asia Pacific region has become a major centre for global economic development.

Approximately 60% of the world's population resides in the region, and this proportion will approach 70% by the turn of the century. By that time, half of the global output of goods and services will originate in the Asia Pacific region.

In the region there is one economic super-power: Japan. But following behind Japan are the Newly Industrializing economies. Korea, Taiwan, Hong Kong and Singapore are readily identified as "NIC's" but there are other nations not far behind. Malaysia and Thailand will join the Asian Tiger Club before long. India and China, although lagging in per capita terms are huge and powerful economies, with significant domestic industrial capacity and tremendous potential. China will be a trillion dollar economy before the turn of the century. Indonesia and the Philippines could also be major players if they can overcome domestic obstacles, population growth and political instability. For example, the large populations of India and China are served by significant domestic industrial capacity.

Since 1984, the Asia Pacific region has emerged as the second largest regional destination for Canadian exports, edging out Europe for this position. About 11% of Canadian exports move to markets in Asia Pacific. Japan absorbs over half of this sum, and is Canada's second largest trading partner, exceeded only by the United States. China and Korea have become billion dollar markets for Canadian exporters. Countries of ASEAN -- The Association of South East Asian Nations -- are a steadily growing market. Australia and New Zealand continue to be among the best markets for Canadian manufactured goods.

As many of you in this room know, Canada's connections with Asia Pacific go a long way back and are extensive and growing. For instance, Canadian missionaries and merchants provided Canada's earliest contacts with China in the late 18th century. Permanent residents from China first came to Canada about 130 years ago! Today, some 600,000 Canadians of Chinese descent live in Canada, many of whom have family ties in Hong Kong. Perhaps more surprisingly, more than 10,000 Canadians live in Hong Kong. Edmonton has its Chinese twin in Harbin and Alberta is twinned with Heilongjiang.

I and my cabinet colleagues believe that it is important to build on these ties to develop closer links, particularly in the area of trade and economic relations. Pat Carney (when she was Minister for International Trade) announced a Hong Kong Action Plan. This plan will increase Canadian awareness of the size, dynamism and western-style business environment present in Hong Kong. It will also encourage Canadian exporters to take advantage of the active Hong Kong re-export market as a gateway to China and other Asian markets. This is a national effort but it is one where we count upon the people and governments at provincial and municipal levels to take a full part in working with us to make this happen.

The People's Republic of China is rapidly changing. The 7th National People's Congress is currently underway, and one hears much talk of plans for the separation of party and state, accelerated foreign investment in coastal regions, and revived interest in radical joint-stock ownership schemes.

Canada's trade with China is prospering. Beginning on a foundation of wheat sales in the 1960s (prior to the establishment of diplomatic relations in 1970), trade has grown substantially over the past two decades. In 1987, two-way trade increased by 32% over the previous year to \$2.2 billion, with Canadian exports amounting to \$1.4 billion and our imports from China reaching \$771 million.

Canada's export strengths closely match China's priorities -- energy, transportation, communications and agriculture. China's main import sectors which have available foreign exchange -- raw material imports, industrial infrastructure projects in areas such as oil, gas, thermal and hydro power, pulp and paper, steel, communications and basic agricultural commodities -- all have had significant Canadian involvement in various forms.

In April 1987, the Government adopted a strategy intended to ensure a focussed, coordinated and dynamic approach to Canada's relations with the People's Republic of China and designed to take advantage of the opportunities and challenges flowing from China's "open door" and modernization policies.

The strategy includes the establishment of annual high level political consultations, targetting China as a priority market in the National Trade Strategy, opening of a Consulate General in Shanghai and the initiatives announced by the Prime Minister when we visited Beijing in May 1986: the doubling of the Canadian International Development Agency's bilateral development program and the establishment of an Export Development Corporation concessional financing facility.

Many other countries also recognize the benefits of developing trade with China. As a result, the competition to win major projects in China is keen, and this extends to the financing terms offered. It was specifically to provide companies pursuing projects in that market with competing financing that the Prime Minister announced the Canadian \$350 million concessional financing facility during his May 1986 visit to China. Where applicable, this concessional financing is mixed with the regular financing provided by EDC to form an overall "soft" financing package that is competitive with other countries.

This approach has proven to be very successful. Eight projects involving concessional funds have already been financed by EDC, and four other contracts recently signed by Canadian suppliers with Chinese customers will utilize concessional funds. An additional 10 projects involving major Canadian exporters, which could use a substantial portion of the line of credit, are at an advanced state of negotiation and will likely be signed in the next six months. Given that the line of credit is mixed with regular EDC financing, more than \$1 billion of Canadian exports to China will be supported by the concessional line of credit.

Another area in the region attracted much attention recently. Taiwan's spectacular economic success has aroused the interest of business people from all around the world, including many in Canada. In fact, it is a fellow Albertan, Jack Morrish, the President of Fording Coal of Calgary, who is the Canadian Chairman of the Canada-Taiwan Business Association.

The island's outstanding economic performance last year resulted in a record trade surplus of U.S. \$19 billion, and its foreign exchange reserves now stand at U.S. 76 billion, second in the world only to Japan.

Taiwan is now Canada's fifth largest source of imports and twelfth largest export market. Total trade was close to Cdn. \$2.8 billion, with a surplus of almost \$1.3 billion in Taiwan's favour.

Canada's recognition of the PRC in 1970 precludes our having official relations with the Taiwan authorities; however, as the trade figures dramatically illustrate, we are happy to see private and commercial contacts. In fact, this Government applauded the decision of the Canadian Chamber of Commerce to open a trade office in Taipei in October, 1986.

This Government has made a strong commitment to the Asia Pacific region. This has been reflected in a number of ways. Comprehensive country strategies have been adopted for managing the full range of our relations with Japan, China and India; trade and investment action plans have been developed for Korea, Hong Kong and ASEAN.

In recognition of the importance of this region for the development of Canadian trade, Asia Pacific was chosen as one of two priority markets for special trade development efforts by the Department.

As a western Canadian, I am particularly interested to see economic activity gradually shift towards the Pacific. An important part of our destiny is linked to the Pacific. It is up to all of us to ensure that we take advantage of the opportunities offered in that process.