

CHECK AGAINST DELIVERY



STATEMENT DISCOURS

SECRETARY
OF STATE
FOR EXTERNAL
AFFAIRS.

SECRÉTAIRE
D'ÉTAT AUX
AFFAIRES
EXTÉRIEURES.

NOTES FOR REMARKS BY THE
SECRETARY OF STATE FOR
EXTERNAL AFFAIRS,
DR. MARK MACGUIGAN, AT THE
LUNCHEON OF THE "CANADA-JAPAN
SYMPOSIUM" SPONSORED BY THE
GLOBE AND MAIL AND THE
JAPAN ECONOMIC JOURNAL,
TORONTO, OCTOBER 14, 1980

Over the years, the *Globe and Mail* and the *Japan Economic Journal* have earned outstanding reputations among businessmen, government persons and academics alike as prominent economic journals and as active promoters of the Canada-Japan relationship. I am therefore most pleased to have been invited to speak to you today, and I applaud the joint efforts of these two media organizations since 1976 in sponsoring this important series of seminars.

I note that this year you have centred your treatment of Canada-Japan relations on the notion of an evolving community among Pacific region nations. The timing of this seminar is excellent on both counts. On the Canada-Japan scene, we just completed the third meeting of the Joint Economic Committee two weeks ago in Banff. In Australia, meanwhile, a major international seminar was held in September at Australian National University in Canberra to study and discuss the concept of a Pacific community.

What I propose to do is tell you something of both events from the government's particular perspective, and more particularly from the point of view of our foreign policy objectives.

The Third Meeting of the Canada-Japan Joint Economic Committee, or JEC, established under the terms of the 1976 Framework on Economic Co-operation signed by Prime Ministers, was unquestionably the best JEC to date. The first meeting in 1977 and the second in 1979 were largely taken up with establishing and settling into this new forum. The Banff meeting, however, demonstrated its development as a more mature and useful mechanism.

It took place at an opportune time, following an active spring and summer highlighted by the Kyoto businessmen's meeting, the visit to Canada of the late Prime Minister Ohira, and Mr. Gray's visit to Japan in August. These events carried considerable momentum into the JEC, and Japanese officials were perhaps better aware of Canada and of our concerns than at any time in the recent past.

I think it is fair to say that there were some notable achievements at this third JEC meeting. I realize that the expression "full and frank discussion" is often ridiculed as a euphemism for serious differences, but in the case of the Banff JEC this phrase accurately describes the new and improved two-way communication and understanding that prevailed. This parallels a similar development which Canadian businessmen noticed when they met in Kyoto this May with their opposite numbers. There was some real attempt by both sides to overcome the gap in perception of each others' aspirations and feelings about the relationship -- a perception gap that, in our view at least, has inhibited the realization

of greater trade and investment in the important areas of resource upgrading and manufacturing.

Finally, the Banff meeting indicated, in a more convincing fashion than before, that the Japanese are interested in a more diversified economic relationship -- one which encompasses investment, joint ventures, technology exchanges, and which envelopes and enriches the central trade element. This development remains an important foreign policy objective for Canada vis-à-vis Japan.

There were also some more specific major achievements at the JEC. Undoubtedly the most important of these was the agreement to establish a Working Group on Resource Processing. In this group, which will begin meeting early next year, experts will be able to examine, in detail, industrial trends in all sectors -- energy, minerals, forestry, petrochemicals, even agriculture -- and to identify opportunities for the upgrading of resources in Canada, with Japanese involvement for supplying the Japanese and other markets. In agreeing to the creation of this group, Japan has recognized the importance we attach to our industrial development goals; as such, it is a very positive development.

We also achieved headway in following up Mr. Gray's mission to Japan in August regarding further acquainting the Japanese with our desire for increased purchases of Canadian automobile parts as well as for Japanese investment in auto and auto parts manufacturing or vehicle assembly plants in Canada. Insofar as this is a private sector matter, we did not expect to achieve any breakthroughs, but the Japanese Government can be under no illusion as to the strength of our concerns in this area -- concerns which it will not be possible for Japanese auto makers to disregard.

Although we cannot term it an achievement until we see some results, nevertheless the JEC permitted Canadian officials to remind the Japanese that Canadian interests should not be ignored or discriminated against in responding bilaterally to the concerns of Japan's larger trading partners. I cannot over-emphasize the importance of opportunities to repeat this message.

In the energy sector, Japan underlined ongoing and increasingly active interest in participating in major energy projects in the Arctic, in the oil sands and in thermal and coking coal and their liquified products. Naturally, they remain interested in access to the product where Canadian policy permits. The Japanese were reminded that CANDU is also an important bilateral question, and we reconfirmed that its sale to Japan could have favourable effects on all aspects of our relationship.

The agricultural discussions were somewhat less difficult than in the past, and we had some good exchanges on trends which favour increased interchanges in food products. Both sides welcomed the establishment of the informal consultations which have now begun between our Embassy in Tokyo and Japanese officials on the many agricultural trade irritants that inhibit the fuller development of this important dimension of our relationship.

I would not want to leave you with the impression that all the discussions in Banff were easy. We have some real and abiding concerns with the Japanese on a number of issues -- particularly as regards trade access -- which were raised and discussed at Banff. The automobile issue, the tariff on dressed whitewood lumber, and the quota on squid were three major items. To be fair, the Japanese side also had a number of preoccupations they wanted to discuss with us, perhaps the most important being their traditional worry about Canada's foreign investment climate and the role of the Foreign Investment Review Agency.

But on the whole, the tone of the third JEC was up-beat and our exchanges on points of difference were directed to better understanding and to searching out possible solutions. While none were reached, the consciousness of the effort to bring improvements was a welcome change from some previous discussions we have had.

One reason why I welcome seminars such as this is the opportunity they provide for a balanced assessment in public of Canada-Japan ties. Too often the man in the street reads or hears of our relationship with Japan only in terms of the problem areas. Some other commentators seek to portray Canada as a small nation holding at bay the exploitive advances of a massive economic machine.

On the first point I do not deny that problems exist and that I am personally concerned about them. The difficulties we are encountering in the automobile sector are a case in point. But there are many positive aspects that do not seem to catch public attention: for example -- a volume of trade exceeding \$6 billion in 1979 with a higher trend in 1980; our large bilateral trade surplus; Japan's interest in development of Canadian coal mines and in the oil sands and Arctic oil and gas. While we still have access issues, there has been fine progress in the forestry and fisheries sectors and we have made major strides in sales of agricultural products such as rapeseed and pork. Few Canadians are not touched in their daily lives by the benefits of our economic relationship with Japan.

On the second question, that of Japan's unfortunate image in many minds as an economic giant seeking ever greater global economic power and control, I can only say that we in the Government *do not agree* with this interpretation. At the same time, we intend to pursue economic co-operation and trade with Japan with the objective of securing maximum benefit to Canada, realizing that optimum long-term advantages can only be assured through some understanding for the aspirations and needs of the other side.

There is also no question in my mind that Japan's image in Canada could be better refined and disseminated. Better and more balanced news coverage from Japan is one answer, and we have welcomed the decision by one of the *Globe's* competitors to open an office in Tokyo. But more can and should be done to cover a country which now boasts the second largest economy in the non-communist world, which shares membership in the "Summit Club" with Canada and plays an increasingly political role in the world and the Pacific region, and which is surpassed only by the United States as Canada's largest economic partner.

To be frank, I think the Japanese side might consider more intensive image-building in Canada. It is interesting to note for example the massive impact that the television movie *Shogun* has had on the North American perception of Japan. I am not suggesting efforts on a similar scale, but I am saying that Canadians generally would probably be very receptive to and fascinated by better opportunities to learn more about Japan and the Japanese way of life.

This wider and better perception of Japan in Canada, and of Canada in Japan, is essential if governments and private sectors are to have public support for the policies and activities needed to improve and change the shape of our relationship. Canada hopes this evolution will result in a more complex complementarity of interests which reflect Canada's industrial development priorities in the manufacturing and high technology areas while building on traditional trade and co-operation in the resources area, *inter alia*, through more upgrading and further processing in Canada.

In all sectors, trends are moving in this direction. The energy factor is the most prominent. Not only does Japan need those energy resources which we are prepared to export, but Canada offers locations close to energy sources for the establishment of joint ventures in energy-intensive and other industries. The future growth of a Canadian industrial and manufacturing structure based on our massive resource base also offers considerable scope for traders and investors. The need for increasing and stable supplies of foodstuffs should expand activities in the agriculture and fisheries sectors, including co-operation in the upgrading of food products.

If certain economic trends appear conducive to positive development, there are also non-economic elements serving as important catalysts. As I have said, the Japanese appear more aware of Canada and conscious of our interests than at any time in the recent past. A certain momentum has now been built up by missions and visits -- particularly those of the late Prime Minister Ohira and of Mr. Gray, by our profile as a Summit partner and host for next year's meeting, by the efforts of provincial governments, and by the major contribution made by three Canada-Japan Businessmen's Conferences to relations between private sectors. This last activity will continue to have the Government's fullest support because, in the final analysis, it is the private sector which makes the relationship work.

One major influence on the bilateral relationship in the years ahead will be our shared interest in the evolving Pacific community, though the exact ramifications of this will not be clear for some time. Indeed, we are just beginning seriously to re-examine our own interests in the Pacific and inter-relate them with those of our Pacific neighbours. One manifestation of this re-examination is the "Pacific Rim Opportunities Conference" being organized by the Government in Vancouver next month.

Nonetheless, we can predict some general implications for Canada-Japan relations. On the positive side, there will likely be increased opportunities for co-operative arrangements with Japanese firms in third countries where Canadian capital, skills and technologies -- particularly in resource development -- might be required. For example, Indonesia has recently awarded a major contract to a Canadian-Japanese venture to build an 800 megawatt electrical utility. Canadian firms could also work on their own in Pacific countries to meet Japanese needs.

Other effects may pose challenges of a different kind. The remarkable growth in ASEAN* countries and recent resource developments in Australia have increased competition for Canada in Japan both as a market for raw and semi-processed goods and as a source of investment funds in the resource field. This seems certain to continue. There is also likely to be increased pressure on Canadian enterprises from low-cost manufacturing facilities established in developing Pacific countries in whole or in part by Japanese firms.

These and other implications need to be identified and responses developed to maximize the benefits for Canada and Japan within an increasingly complex and dynamic Pacific regional economy. This seminar will, I know, be an important contribution to this process.

*Association of South East Asian Nations.

Here in Canada we have no doubt about the vast potential of the Pacific region as an area of outstanding economic growth and development in the decades ahead. On the basis of past patterns of six to ten per cent growth in many countries there, the Pacific region, before the turn of the century, should provide the focus if not the engine of growth for the world's economy.

In the face of this remarkable trend, Canada's challenge will be to fashion policy responses which make us an active and integral part of this new Pacific age. We want to contribute to its development and to share in its benefits.

In a speech in Hong Kong in July to Canadian and Hong Kong businessmen, I drew attention to some of the things we will have to do to meet this Pacific challenge. One aspect must be to shape a greater awareness within Canada itself of the new potential of the Pacific region, and to balance our preoccupations as an Atlantic nation with a deeper understanding of our Pacific personality. The other half of our effort must be to formulate the policies and to implement the programmes -- both in the governmental and private sectors -- which make this personality more manifest.

In the overall political sense, for example, we should try to develop approaches which, in addition to meeting Canadian objectives, respect the diversity and unique characteristics of our Pacific neighbours, which better respond to their goals and aspirations, and which assist in the building of community consciousness in the region. As one step in this direction, last June I became the first Canadian Foreign Minister to attend an ASEAN Foreign Ministers Meeting as a dialogue partner. As time goes on, you will see other manifestations of this new Canadian thrust.

There must also be a broader strategy in advancing contacts between our people through educational and academic exchanges and through the dissemination of cultural information. It is on this foundation of richer understanding among persons that economic activities can thrive better.

Finally, we must build economic relationships in the region which benefit not only Canada, but *all* concerned -- through increased trade, investment, development assistance, and a variety of other exchanges and co-operative arrangements. A nation as dependent on foreign trade as Canada must have a sophisticated and responsible foreign policy in the economic sphere. As part of this process, you will be aware of the programme of visits which my colleague, the Minister of State for International Trade, has made to the Pacific region in preparation for the Vancouver conference on relations with the Pacific in November.

No development better exemplifies the trend towards greater self-assertiveness and confidence in the Pacific region than the notion of an evolving tangible Pacific community. It has been given many names, including Pacific "Economic" Community, but while economic activities remain at the core of any eventual mandate, in the broadest sense it is a profoundly political phenomenon.

This was clear from the discussion held at Australian National University from September 15 to 18 in the seminar set up with the blessing of the Japanese and Australian governments to discuss the concept. It was attended by persons from the academic world and the private sector, as well as officials from governments acting in a private capacity, including a senior official from my Department.

In his conclusions the Chairman -- Sir John Crawford -- noted that while considerable regional interchanges had already developed and were expanding, there was still some distance to go to strengthen this process and to involve governments. He recommended the formation of an official and informal committee to co-ordinate information exchanges and to set up task forces to investigate possibilities for co-operation in specific areas. He thought that further seminars and discussions were necessary before the eventual emergence of any official organization.

The Australian National University seminar confirmed that a Pacific community, in any developed sense, is still some distance away, and that considerable community-building is still required. This is where cultural and educational aspects of foreign policy come particularly into play before the core economic activities can be developed. Expanded tourism, transportation and communication facilities are also a prerequisite.

While much remains to be done politically, especially vis-à-vis some ASEAN countries, considerable will and momentum has developed behind the concept since it was revived by late Prime Minister Ohira almost two years ago. No one has yet any clear notion of what shape the community will eventually take, but it is likely to be unique in human experience -- possibly more a multi-layered and informal mix of associations and linkages, than a formal inter-governmental organization, with different groupings of countries participating in different activities.

Whatever happens, Canada intends to participate in the evolution of the concept from the outset. We are approaching the issues of membership, organization and the eventual economic and other responsibilities of a Pacific community cautiously, but with open minds and in a positive fashion. In doing so, we will bring to bear the general foreign policy approaches in the political, cultural and economic spheres that I mentioned above.

As I have said, a tangible Pacific community is still some distance away, and in the interim Canada must nourish and expand the bilateral relationships which form the foundation of community development. This is no more important than with Japan, our second largest economic partner and the dominant Asian player in the region.

Unquestionably, the future holds great promise for Canada-Japan economic relations in the Pacific context. My efforts and those of the Government, like yours today, will be directed to ensuring that these prospects become a reality for the benefit of both our nations and of the region generally.

I am confident that academics and other interested persons, ministers and officials from provincial governments, media organizations, and most importantly, the business community itself, will be working with us to the same end.