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## STATEMENT

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NOTES FOR AN ADDRESS BY  
THE HONOURABLE RAYMOND CHAN,  
SECRETARY OF STATE (ASIA-PACIFIC),  
TO THE COMMITTEE FOR THE ECONOMIC DEVELOPMENT  
OF AUSTRALIA

SYDNEY, Australia  
August 5, 1994

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Canada

Mr. Chairman, ladies and gentlemen.

It is a pleasure to be with you today in the magnificent city of Sydney, on this, my first visit to Australia. I would like to thank CEDA [the Committee for the Economic Development of Australia] for giving me the opportunity to meet with you.

Canada and Australia are not only good friends and trading partners with very close ties on a wide range of domestic and international issues, we are also both Asia-Pacific nations with important interests in the region — a point not always appreciated in thinking about and dealing with each other.

Today, I would like to talk to you about our bilateral trading and economic relationship in particular and touch upon Canada's economic and trade relations with the Asia-Pacific region as a whole.

We have been doing business together since the last century. Our first trade office abroad was opened in Sydney in 1895, followed by one in Melbourne in 1903. Today we have a trade and investment relationship that is solid and diversified, but in my view not as large as it could or should be.

In 1993 our two-way trade amounted to over A\$2 billion and would no doubt have been higher but for the lingering recessionary ills affecting both our countries. And it looks as though Australians can take some satisfaction from the fact that, for the first time in many years, the trade balance was in Australia's favour, if only slightly.

In dollar value, Australia represents one of our 10 largest export markets. In the Asia-Pacific area, Australia is our sixth-largest trading partner. It is an attractive market for us because we sell a diversified range of goods; but more importantly, about 70 per cent of Canadian exports to Australia are semi-manufacture and end products, a proportion surpassed only in our trade with the United States.

Some items account for significant portions of the total exchange. In our case these include newsprint, chemicals, aerospace equipment and systems, automotive parts, telecommunications equipment, canned salmon, mining equipment, agricultural machinery, railway locomotives, and — would you believe it — canned cherries and asparagus. We are a major market for your meat, sugar, minerals, such as alumina, and increasingly for your fine wines, not least from the Hunter Valley.

For the future, we believe that Canadian companies will be highly competitive in sectors such as power generation and transmission, environmental technologies, transportation systems and services, telecommunications and computer software, mining equipment and technology, forestry-harvesting and sawmilling machinery and

medical and health sciences products. We also have leading-edge technology in remote sensing and small satellites.

The investment side of the ledger is obviously important in looking at any bilateral economic relationship. In recent years companies from both countries have established or acquired profitable operations in the other's market. Mayne Nickless, Foster's, MIM, TNT, Amcor, BHP, Boral Western Mining, and CSR, among others, are present in Canada. Several well-known Canadian firms have found a hospitable business environment here: Alcan, McCain, Bata, Nortel, DMR Associates, Moore Corporation, Golder Associates, Western Star Truck, Placer Pacific and Norcen to name a few.

More recently, of course, the Fairfax Group became part of Conrad Black's growing empire, although I'm not sure how hospitable his reception was or will be in the future. Last year, Canwest Global Communications from western Canada acquired a major holding in Australia's Channel 10; the Canadian Four Seasons chain took over the management of the Regent Asia-Pacific hotels, including those in Australia, and a Canadian company is active in the establishment of cable television here. The most recent major acquisition by a Canadian firm was Novacorp's \$135-million investment for a 25% stake in the Moomba-to-Sydney gas pipeline. Our best estimate is that Canadian Investment in Australia today totals approximately A\$5 billion.

Taken in aggregate these trade and investment figures seem respectable given that our combined population is about 45 million, our markets are thousands of kilometres apart and our economies are in some respects competitive rather than complementary. That said, I am persuaded, as I have previously mentioned, that we could both do better.

Using Canada as a base from which to tackle the large North American market must surely figure in the corporate strategy of any Australian firm, large, medium or small, thinking of establishing in our part of the world. Any such strategy cannot help but be informed by the positive effects of the Canada-U.S. Free Trade Agreement [FTA]. The FTA's effects are now being strengthened by those flowing from the North American Free Trade Agreement [NAFTA] which brings Mexico into close economic partnership with the United States and Canada. Obviously, for those firms in Australia whose global marketing strategy incorporates the targeting of North America, our hope is that similar business methods and environments will lead them to consider Canada as their North American Gateway.

It may be regarded as facile to employ terms such as "strategic partnerships" or "alliances" — but such approaches would certainly seem to make sense for Australian companies contemplating the North American market. Indeed this is now

being put into practice by our larger companies such as Nortel, MacDonald Dettwiler, Cognos, Placer Pacific, Weston Star Trucks, and McCain. Small to medium-sized Canadian firms such as Duha Paints, Walenga, Eco-Logic, and Maxter Industries are also actively involved in, or pursuing, alliances with Australian counterparts to do business in Australia and neighbouring countries. We in turn have been urging Canadian firms to use Australia as a gateway or Bridgehead to South East Asia.

At the government level, we are also beginning to examine whether we couldn't work more closely together in the area of science and technology were we both have particular strengths.

Alone we often find ourselves at a disadvantage vis-à-vis the research and development efforts of countries like the United States and Japan.

If we could ally our strengths in a few well-chosen areas we may jointly be able to mount successful ventures internationally. We have in mind sectors such as informatics, communications, space, remote sensing and defence technologies. Our hope is that Canada-Australia collaboration in one or more of these sectors will prove to be feasible and advantageous to both.

So, Mr. Chairman, we see the Canada-Australia relationship as being in good shape. Our connections are extensive and close. We consult on many subjects both domestic and international and we see Australia as an important economic partner, both now and in the future. However, as I have said, I think that on the trade and investment front, we could do better.

To help expand this relationship and celebrate the centenary of the opening of our Sydney trade office, my colleague Roy MacLaren, the Minister for International Trade, will be leading a Canadian business delegation to Australia next February. This visit will coincide with a major trade and investment conference we are planning to hold in Sydney, February 13 and 14. The objective of the conference will be to highlight our trading and economic relationship and to identify additional areas of collaboration.

Mr. Chairman, let me now turn to Canada's relations with the Asia-Pacific region generally. As in Australia, there has been in recent years an increasing focus on the countries of the Asia-Pacific; and despite suggestions to the contrary, our membership in the North American Free Trade Agreement will not lessen Canada's interests in expanding trade and investment with the countries of the region. Trade is too important to the Canadian economy for us to ignore an area for such economic dynamism. Only Germany of the G-7 [Group of Seven leading industrialized] countries relies more on exports in its national income than Canada. Exports account for about a third of our GDP [gross

domestic product] — the equivalent Australian figure, I am told, is around 20 per cent.

It was over a decade ago, in 1983, that our trade across the Pacific eclipsed our trade with Europe, and today Japan is our single largest overseas market, while China ranks as our fifth-largest trading partner. Ten of Canada's top 25 export markets are now Asia-Pacific economies and our financial, technological and investment ties with the region have also expanded dramatically over the last two decades. In 1993 Canada's two-way trade with the Asia-Pacific countries, excluding the United States, was over \$45 billion.

This is why we have a foreign economic policy strategy entitled "Pacific 2000" launched four years ago to promote Canada-Pacific business links, to upgrade Canada's Asian language skills, and to provide for increased co-operation in science and technology. It is why we have an Asia-Pacific Foundation. It is why we are such active members of the Pacific Community, as reflected in our commitment to and support for APEC [the Asia-Pacific Economic Co-operation forum], where Canadian-Australian collaboration is close and mutually supportive.

My point is that our stake in the region is already significant and it is growing. We intend to be a very active player in the future events and decisions shaping the new Asia-Pacific community. This can only lead, in my view, to closer co-operation between our two governments and between our two business communities.

So, to state that Canada is a Pacific Country is not simply to report a geographic fact. It is to assert a common interest and to declare a commitment to the region's future, and to the development of regional institutions such as APEC.

The Australian government deserves great credit for its initiative in getting the Asia-Pacific Economic Co-operation forum launched, as well as for maintaining the momentum of the APEC process. Canada will continue to be active in helping to make it the primary framework for regional trade and economic consultation and co-operation with the objective of bringing about further trade and investment liberalization in the region.

While the new World Trade Organization that will emerge from the Uruguay Round of trade negotiations will continue to serve as the cornerstone of the world trading system, APEC can serve some important regional priorities. There is, for example, scope in the short term for APEC-wide arrangements to help protect investment, for co-operation in customs and administration practices that inhibit trade and for improved conformance to standards. The longer-term objectives are to liberalize trade and investment flows in the region to the advantage of all.

Moreover, APEC could assume an important role in addressing and constructing innovative approaches to a new generation of issues arising as a result of the forces of globalization.

Canada and Australia are very much at one about the potential value of APEC to all the countries of the region. I say "potential," because I think it would be misleading to suggest that the APEC process will have a major impact on the economy of the Asia-Pacific region in the short term. We are at an early state in the building of APEC, and it would therefore be unrealistic to expect major results tomorrow. It is a long-term construction process, but one well worth our investment of time and effort.

Mr. Chairman, before I conclude I wanted to say a few additional words about NAFTA, the North American Free Trade Agreement, because there have been suggestions in Australia and elsewhere that we have put in place an exclusive trading bloc that does not seem to be consistent with our commitment to the Asia-Pacific region or to multilateral trade liberalization.

What the agreement initiated when it took effect on January 1 this year was a more predictable and effective rule-based framework to govern trade and investment flows in North America -- that is, a new set of rules to cover investment and more than \$300 billion in annual three-way trade. Essentially, it extends the benefits of the Canada-U.S. Free Trade Agreements to Mexico and strengthens and expands the provisions of that accord. In other words, it further refines and enlarges the framework created by the Canada-U.S. accord which now governs the largest two-way trade relationship in the world.

It is, in fact, a major step forward in trade liberalization and a complement to the broader, and recently concluded multilateral trade negotiations of the Uruguay round. It is also fully consistent with the requirements of the General Agreement on Tariffs and Trade, which provides the basic rules for the international trading system.

The resulting liberalization of trade and investment will not only benefit the three partners to the agreement but also third countries.

Mexico's increased prosperity, as it outgrows its less-developed country status, and the higher overall growth in North America deriving from the NAFTA, will be trade-creating not only amongst the three partners, but between them and other countries. Thus, a more dynamic North American economy, including Mexico, will benefit producers in countries like Australia looking for new market opportunities.

I say this because I know concerns have been expressed that the NAFTA could lead to some trade and investment diversion. Certainly, it would be wrong to claim that regional trade arrangements could not in any way alter existing trade and investment patterns. However, one can not easily link such changes to regional trade arrangements alone, given the wider process of globalization under way in the world.

Our experience so far with the Canada-U.S. Free Trade Agreement bears out the point that the income or growth effects of open trade arrangements, which do not raise barriers to third countries, more than offset shifts in existing trade patterns.

In short, we see the NAFTA through rationalized production and enhanced incomes, generating a substantial increase in trade and investment opportunities for the entire global trading community.

Mr. Chairman, I hope my remarks have persuaded you and your colleagues here today that Canada's close friendship and ties with Australia are in good repair, and that prospects for even greater co-operation between our two countries in the economic sphere is both possible and desirable.

Thank you.