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Notes for a speech by the  
Honourable Allan J. MacEachen,  
Deputy Prime Minister and  
Secretary of State for  
External Affairs,  
to the Seventeenth International  
General Meeting of the Pacific  
Basin Economic Council.

Vancouver

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Canada, A Pacific Nation

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I am pleased to be here today and to have this opportunity to address the annual meeting of the Pacific Basin Economic Council. On behalf of all Canadians, I would like to extend a warm welcome to our visitors, and particularly to the Prime Minister of New Zealand, Sir Robert Muldoon, and wish you all a pleasant stay in Vancouver, Canada's gateway to the Pacific and the site of Expo 86.

Canada is a Pacific nation. A decade ago our trans-Pacific immigration exceeded our trans-Atlantic immigration for the first time. Two years ago our trans-Pacific trade surpassed our trans-Atlantic trade for the first time. The trends are clear.

The Canadian Government means business in the Pacific. The region is vital to us and we intend to be an active participant in its future. We will continue to invest in its political stability. We will pursue economic policies designed to enhance trade, investment and technology flows across the Pacific. Relations with the Pacific nations will be a priority on our international agenda.

During the 1970's, most countries of the region experienced spectacular annual growth rates, in the order of six to ten percent. While the recession has rolled back the indicators somewhat, projected rates of growth for the rest of the decade still exceed the most optimistic projections for Europe and North America. Japan is now the second largest market economy in the world and is Canada's second largest trading partner. And nowhere else in the world has there been such sustained achievement by developing countries. The newly industrialized economies of Asia -- Korea, Singapore, Taiwan and Hong Kong -- are setting an example of economic achievement for the developing world to emulate.

The growth and vitality of the region depend on the free flow of ideas and commerce. Total trade between Canada and the Pacific nations increased three-fold over the last decade. Trade with Korea alone increased by ten times during this period. Canada has been a reliable source of industrial raw materials and agricultural products, as well as of advanced technology and manufactured goods.

Increasingly, business is being done in the region by joint ventures, by co-investment and sharing technology, by building on complementary skills and comparative advantage. Canadian firms are major

participants in a number of cooperative enterprises in the region. For example, Combustion Engineering is participating with Marubeni in a major power project in Thailand, Alcan has entered into reciprocal investment arrangements with Nippon Light Metal, and Canada Wire and Cable and Tolley Industries are jointly manufacturing cables, transformers and switching gear in New Zealand. This cooperation is an enlightened way of managing our interdependence.

Interdependence is a vehicle of social change and economic development. Some of the most dramatic shifts in economic structures are taking place in the Pacific region. Japan is moving boldly towards the future, into the era of the knowledge intensive industries such as robotics, computers, new industrial materials, biotechnology and space science. The developing countries are making major strides forward, into new investments in the steel, shipbuilding, automotive and consumer electronics industries.

All of us face the realities of international competition in our own markets. In this regard, all governments must bear in mind that when we protect uncompetitive industries or try to give an artificial edge to our own firms, we damage the international trade and payments systems on which we all depend.

We also undermine our own competitiveness. Governments cannot therefore be merely reactive. We must ensure that our economies are prepared for change, and we must adopt policies designed to facilitate, rather than obstruct, the adjustment process. Governments must also cooperate internationally to facilitate economic adjustment and development and trade liberalization.

Further trade liberalization and multilateral cooperation formed an important part of the agenda of last week's OECD Ministerial meeting in Paris, which I attended. We addressed the continued need to resist protectionism and to strengthen the multilateral trading system. We agreed on a programme of work which will help us achieve these objectives.

There was a general recognition at the meeting of the importance of moving ahead vigorously with the GATT work programme, agreed to by Ministers in 1982. We have also given our work a new boost, by emphasizing the important role that a new round of multilateral trade

negotiations will play in strengthening the liberal trading system and in promoting the growth of trade. It was agreed that the prospect of such negotiations should not delay efforts to roll back restrictions already in place. These restrictions are contrary to the longer term interests of the industrialized and the developing countries alike.

The developing countries of the Asia-Pacific region will continue to be a major focus of Canada's development assistance program. Our aid program, in fact, began in Asia and the region currently receives the largest share of our bilateral funding. Canada and the ASEAN countries are working together on cooperative projects in areas such as energy and transportation and in fostering joint ventures and technical exchanges between individual manufacturers. One of the newest major programs of our international development agency, CIDA, is with the People's Republic of China, where the emphasis is on energy, education, agriculture and forestry.

In our February budget, the Canadian Government announced that an Aid-Trade Fund would be established to support an expanded role for Canadian firms abroad. By 1990, as much as \$1.3 billion could be allocated to the fund to provide financing for projects which have a high priority in recipient countries' development plans, for which Canadian firms are competitive, and for which development assistance financing is required. A significant portion of that money will be spent on programs in the Pacific and in Asia.

The region is a major focus of the International Development and Research Centre, a public corporation created by Parliament in 1970. The Centre helps to develop cooperation in research between scientists and institutions in developing countries and their counterparts in Canada.

The level of economic progress in the Asia/Pacific region will ultimately hinge on its political stability. In this regard, the Soviet occupation of Afghanistan is a major, negative factor as well as an affront to human dignity and world opinion. The massive Vietnamese military intrusion into Cambodia is a further grave concern. Canada has endorsed the ASEAN demand for Vietnamese withdrawal, repeated in

successive United Nations resolutions. The remarkable success of the ASEAN countries themselves symbolizes the scope for advancement which freedom allows.

Canada has a major stake in the security and stability of Asia and the Pacific and we have sought to build stronger political relationships with all the nations of the region. We have done this by encouraging exchanges of ideas and people, by working towards common objectives at the United Nations and other multilateral institutions and, importantly, by establishing a dialogue with political leaders in the region.

In January 1983, Prime Minister Trudeau visited the ASEAN nations and Japan. His trip was followed by a major commercial mission later that year led by my colleague the Minister of Trade, Mr. Regan. I attended a conference of ASEAN ministers in Bangkok last year and had a series of meetings with my ASEAN counterparts. This experience brought home to me the opportunities and challenges facing those nations.

Nor has the flow of visits been one way. Recent visitors to Canada have included President Chun of Korea, Premier Zhao of the People's Republic of China, Prime Minister Prem of Thailand and Prime Minister Mahathir of Malaysia.

I met with Foreign Minister Abe of Japan last week at the OECD and we discussed the importance of this PBEC meeting. I will see him again at the Economic Summit in June. I also plan to stop off in Tokyo on my way to the next ASEAN ministerial meeting in Djakarta. Relations with the nations of the Pacific are clearly a high priority on Canada's international agenda.

Canadians understand that we are at the dawn of a new era in the Pacific. The region has the potential in the 21st century to drive global economic development.

Understanding the wide array of cultures, and the varied economic and political systems that are represented in the Pacific region demands special effort if we are to take full advantage of the tremendous opportunities that exist. That is why the Canadian government announced in last year's Speech from the Throne that it will facilitate the establishment of an Asia Pacific Foundation.

A founding committee has been hard at work to make this idea a reality, and the Government is now ready to introduce enabling legislation into the House of Commons. It is our intention that the federal and provincial governments and the Canadian private sector work as partners in the creation and operation of this non-partisan, non-profit Foundation.

The Foundation's aims would be to promote knowledge in Canada of the region; to develop a greater appreciation of each other by Canadians and the peoples of Asia and the Pacific; to illuminate policy choices facing decision makers in the private and public sectors; to facilitate a broad range of government-supported or private sector-initiated development cooperation projects; and to educate and train our youth so that they will have the knowledge and skills to carry Canada's pacific role in the future.

I encourage the business community to examine this Foundation proposal and I hope you will lend your active support to its creation. I see it as a central creative instrument in the development of relations between Canada and this most dynamic region.

The technological future is now being shaped in the Pacific basin. The micro-chip revolution is a child of the Pacific - a result of scientific and technical innovation in both California and Japan. Canada is creating its niche in the high technology age -- particularly in communications, in agriculture, in aerospace.

The financial future is also being shaped in the Pacific. As Japan liberalizes its capital markets, Tokyo will become an international financial centre on a level with London and New York. This new pool of capital will stimulate the development of new technologies and more joint ventures throughout the region.

Canada is a good place to invest. We have much to offer -- a stable political system, an educated workforce, well-developed infrastructure and access to the major North American markets. The Canadian Government is fully aware of the importance of maintaining a climate attractive to potential foreign investors. That is why we have recently streamlined the operation of our Foreign Investment Review Agency.

Canadians and their political leaders are serious about Canada's Pacific destiny. Our political commitment to the region is strong and will remain so. We are determined to put the requisite policy instruments in place to advance economic cooperation. We are establishing the Asia Pacific Foundation to improve understanding and increase ties between Canada and the nations of the Asia Pacific. We are increasing our development assistance programs in the region and we are creating an Aid-Trade Fund to assist Canadian businesses to participate in the region's development activities. We have developed a political dialogue with the leaders of the region.

The contacts and linkages that are made by the private sector are fundamental. It is through you that the goods and services move and the investment and the technology flow. It is through your innovations and your entrepreneurship that our economies grow and adapt to the changes facing all of us.

Because, although governments must shape the environment in which economic change takes place, in the final analysis it is you, the international business community, who are the catalysts of change and the agents of economic growth.

I applaud the role PBEC is playing in this process. By advocating the free exchange of goods, services, investment and technology in the region, you are pointing us all along the path of creative structural adjustment and continued economic development.

I am grateful to the Council for giving me this opportunity to look into our common future with you today. Thank you very much.