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ADDRESS BY THE HONOURABLE  
JAMES KELLEHER, MINISTER FOR  
INTERNATIONAL TRADE, TO THE  
CANADA-KOREA AND KOREA-CANADA  
BUSINESS COUNCILS

VANCOUVER

OCTOBER 3, 1985

Chairman Koo,  
Chairman Howe,  
Ambassadors,  
Distinguished members of  
the Korea-Canada and  
Canada-Korea Business  
Councils:

It is a great pleasure to be here today, nine months and 5,000 miles from the last time we met. A lot has happened since then, and I would like to share my thoughts with you about the direction of our economic relationship and, in a broader sense, the growing understanding of our mutual goals and aspirations. The Korean and Canadian business communities, and in particular those of you who are here today, can make a significant contribution towards achieving these goals.

For those of you who have crossed the Pacific to be here, let me bid you special welcome. October is a glorious time to come to Canada. In the east, we have the array and vividness of autumn colours, which I suppose you could call our version of a tropical sunset. Here in the West, of course, Vancouver always puts on a good face, and the scenic grandeur of the area is well worth exploring. I hope you'll have a chance to see some of it before you return home.

As I think you know, October is also Export Trade Month in Canada. That makes it "our" month, and it is certainly most appropriate that I get it started here on the West Coast with an event involving Korea, one of our fastest growing trading partners in the

Asia-Pacific region.

You are aware by now of the trade initiative that Canada is undertaking with the United States. Since three-quarters of our exports now go to the U.S., we naturally regard this initiative as having some importance to Canada. Here in British Columbia, for example, nearly 60,000 jobs are directly dependent on the softwood lumber industry, which is now under heavy fire from softwood lumber producers in the U.S. Indeed, there are now three separate bills before the U.S. Congress that would restrict our softwood sales in the States. And that's only one sector. British Columbia last year sold \$5.6 billion worth of products to the United States, or nearly \$2,000 for every person in the Province. We simply cannot afford to lose that business.

But let me make one thing perfectly clear. Nothing we do with our neighbour to the south will in any way detract from our trading efforts in any other part of the world.

I will go further. My government is launching a major trade initiative in the Asia-Pacific area. We have decided to commit an additional \$6.5 million this fiscal year to beef up our trade representation in the Pacific Rim. We are opening a Consulate General in Osaka which will be heavily oriented to trade and the acquisition of technology. We are sending four more Trade Commissioners to China, and we will be

opening a Consulate in Shanghai before the end of the year. We also have started work on a score of special projects throughout the Asia-Pacific area and we're considering the merits of several more, including some in Korea.

I don't have to tell you that, within the Pacific Rim, Korea plays a central role in our export development strategy.

Our trade figures reflect the importance we attach to Korea. Our two-way trade so far this year is running 23 percent ahead of last year. That is considerably better than the performance of either of our countries with the rest of the world. Indeed, if the recent pattern of growth continues, Canada and Korea could become each other's fourth largest trading partner by 1990.

If we focus on Korean exports, the record becomes even more remarkable. Korea's global sales declined four percent during the first half of the year. At the same time, her exports to Canada jumped 30 percent -- stimulated, no doubt, by a stampede of Canadian car buyers to the Pony. In fact, so far this year, two-thirds of Korea's passenger car exports have been to Canada. This is an impressive performance in our market, and we congratulate you.

I cannot pretend to be terribly surprised, however. I think you're aware that Korea was the first stop on my first trip to Asia as Minister for

2.  
International Trade. That was back in February, but my impressions are still very clear. Let me share some of them with you.

Before I left, I had been told that Korea had a young and dynamic economy. Even so, I was surprised by the sense of force and direction of the business community. I was impressed by the level of commitment of the Korean people, by the quality and diversity of Korean industrial output, and certainly by the high degree of productivity and automation that Koreans have achieved.

And, despite the visible signs that South Korea still faces a threat from the north, what struck me most was the sense of aliveness and resilience and determination that I found in the land.

I'm told that, for some of you, this is the fourth consecutive meeting of the Council. You're aware of how far we've come since the first one, and I must give full credit to the chairmen and members of the Council. Without your remarkable dedication and energy, we would not have made it nearly so far. This year's agenda is the broadest we've ever had, and that reflects the linkages that have developed between our two countries, linkages that go beyond the traditional pattern of sales. The recent announcement by Hyundai Motors to build an assembly plant in Canada is the most obvious example, but other building blocks are being assembled as well.

I am very pleased to note that over the past year the Korean Government has launched a number of measures to open up its market for foreign investment. The recent revisions in the Foreign Capital Inducement Act, providing for new investment incentives and tax benefits, were particularly welcome. I can only applaud the reduction of red tape and the introduction of an automatic approval system.

Let me touch here on some of the opportunities for Korean investors in Canada. You're all aware that we have scrapped FIRA, the old Foreign Investment Review Agency, and replaced it with Investment Canada. The mandate of the new agency is to attract new investment, rather than discourage it, and the opportunities are broad. They range from entrepreneurial immigration through joint venture production to corporate investments. Corporate investments, of course, can serve a variety of strategic purposes: the simple acquisition of equity, securing long-term supplies of raw materials, or business development to gain export access. We encourage them all.

Industrial cooperation, in fact, is an important element of our export development strategy for Korea, and I'm very pleased that it was the subject of the recent Joint Understanding signed by my colleague Sinclair Stevens, Minister of Regional Industrial Expansion, with the Korean Government. I'm very much aware of the degree of

3.  
industrialization and automation that has been achieved by Korea in recent years, and I am convinced that the Industrial and Economic Cooperation Understanding will be of great importance to both our countries. Future growth in our relations is bound to become increasingly dependent upon expanding our linkages in technology and industrialization.

I'm told that in the electronics and electrical sector, for instance, the United States and Japan together account for 90 percent of all foreign investment and licensing agreements in Korea. Up to now Canadian firms have not invested in this sector in Korea, but six technology transfers have taken place through licensing agreements. I am hopeful that this particular sector will be identified as a priority in the context of the Industrial and Economic Cooperation Agreement. Our state-of-the-art technology and our competitiveness in this area can make a great contribution to your own industry.

The conclusion of the Industrial and Economic Cooperation Agreement will mean that both Canada and Korea will allocate more resources to support private sector efforts to establish these linkages. This framework will be meaningless, however, unless Canadian and Korean companies resolve to take advantage of it.

And now is the time. There is a push on in Korea to diversify the economy into high-technology and

export-oriented products. So let me call on Canadian companies to make their own push into this market, which will now be rapidly expanding.

Another exciting possibility is cooperation in the construction of nuclear reactors in third countries. This should become more and more promising as we gain experience working together on additional Wolsung units in Korea.

There is another key to future success which I want to raise with our Korean guests, with the request that they take it home with them for discussion with appropriate government authorities. The subject is our trade imbalance.

The imbalance has now grown to proportions that can no longer be defended with the argument that there will inevitably be balance over the longer term.

In your discussions last year, the Korean side argued for a prolongation of the General Preferential Tariffs for automobile exports, as well as improved access for footwear and apparel in the Canadian market. The auto request has been granted. Footwear is under serious study. And, as for textiles and clothing, all I can say is that international considerations will weigh heavily in our decision.

What the Canadian side argued for last year was improved access for Canadian products. We are waiting expectantly for

results.

4.

In total frankness, it will become increasingly difficult to look favourably on Korea's further commercial aspirations in the Canadian market unless we can be encouraged by new inroads in some of the sectors we are trying so hard to penetrate -- sectors, by the way, in which we are totally confident we can compete.

Let me mention some specifics. Korea now applies a 20 percent tariff on our softwood lumber, despite the fact that its own forest resources are sparse, and that it has a severe housing shortage. There is a 40 percent tariff on our canola seed, and an outright embargo on canola oil. There is also a de facto import ban on dehydrated alfalfa, an element of proven value in cattle feed, despite a general shortage of local feed grains. For Canada, penetration of these markets -- and the markets for many of our manufactured goods, as well -- is essential to redress the imbalance in our trade and to elevate the ratio of value-added products in our exports to Korea.

On the subject of market access, I am pleased to note that Korea gave its early support to a new round of Multilateral Trade Negotiations. If the new round is to be successful, it must have the full participation of the newly industrialized countries, such as Korea. The NICs, I suggest, must be willing to undertake the obligations and responsibilities

ties of the GATT in exchange for improved market access.

My Assistant Deputy Minister for Economic and Trade Policy, Mr. Reid Morden, will be leading a delegation to Seoul in early November to discuss our preparations for the coming round. Given the importance to both our countries of our trade with the United States and Japan, I would think we could find much common ground.

All told, the balance sheet for the past year has been quite posi-

5.  
tive. It has been strongest, perhaps, in one sector -- automobiles -- but there have obviously been other gains, as well. But it is incumbent upon all of us here today -- and I include myself, on behalf of the Canadian government -- to use these talks, and the months to come, to address the matters of importance to both sides. As good friends, and good neighbours across the sea, we can hardly do less.

Thank you.