

Statement

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE RAYMOND CHAN,
SECRETARY OF STATE (ASIA-PACIFIC),
TO THE HONG KONG-CANADA BUSINESS ASSOCIATION**

**MONTREAL, Quebec
October 24, 1995**



Government
of Canada

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Canada

I am pleased to have this opportunity to address the Hong Kong-Canada Business Association. I am very well aware of the high energy level and innovative initiatives your Association is renowned for, and I am honoured to have been asked to speak to you today.

I would like to begin by talking about the importance our government is placing on our trade agenda. I will then specifically focus on Canada's trade with and through Hong Kong. Finally, I will endeavour to examine how we can sustain the dynamism of our bilateral partnership in a global setting and through the changes we will see in the near future.

A key part of my job as Secretary of State (Asia-Pacific) is to enhance Canadian export opportunities to the region. As our government has clearly demonstrated during the two years we have been in office, trade - exports, investment and technology transfer - is central to sustaining Canadian prosperity. The export of Canadian goods and services accounts for over one quarter of Canada's gross domestic product. Directly and indirectly, exports sustain over two million jobs in Canada. Most importantly, the export sector has been the most dynamic element in stimulating economic growth in Canada. For all these reasons, international business development holds a high priority on our government's economic agenda.

I am convinced that our government's focus on the Asia-Pacific - and our explanations to Canadians for that focus - is perhaps the best example to Canadians of our government's Red Book philosophy. In short, exports create jobs and jobs create wealth for Canadians, thus helping to reduce the deficit and to maintain many of those programs, such as health care, that have made our country the envy of the world.

Growth rates in much of Asia-Pacific during the 1980s were more than twice as high as the rest of the world. Asia's share of world income could rise from 24 per cent in 1989 to 35 per cent by 2010, and to over 50 per cent by 2040. Canadian businesses must prepare themselves to capitalize on the opportunities presented. Our success as a nation will increasingly depend upon our ability to achieve greater access to Asian markets and to develop initiatives that will result in the provision of the greatest possible competitive advantage to Canadian exporters. The Prime Minister appointed me to be his point man in these efforts and I am pleased that in this regard, Canadian exports to Asia-Pacific countries last year rose 19 per cent to \$19.8 billion, the highest ever. Two-way trade is now valued at \$48 billion, a 15 per cent increase over 1993.

Our trade with Hong Kong, with less than seven million people, stood as our 11th-largest export market in the world. Already our exports grew 89 per cent in the first six months of 1995 - a tremendous record!

Investment from Hong Kong continues to be strong, around \$4 billion annually. Much of it is associated with the continuing high flow of business and other emigrants to Canada - by far the destination of

choice for people leaving Hong Kong. And no, the investment is not only in real estate. It is in the job intensive sectors of electronics manufacturing, telecommunications, textiles and tourism — the kind of industries we want to grow if Canada is to achieve its prosperity and employment goals.

Residents of Hong Kong hold \$20 billion in Canadian securities. There are up to 50 000 people of Canadian citizenship living in Hong Kong and there are at least 75 Canadian corporations, all major Canadian banks, and several insurance companies located in Hong Kong.

With the exception of the United States, the depth of economic integration between Canada and Hong Kong and the physical presence in each other's territory exceeds any relationship we have. To me, it sets a standard for the kind of ties we need to other countries in the Asia-Pacific region. We can't just be occasional visitors and curious onlookers. We must be there, and the record of our success in Hong Kong shows why.

Indeed, the Canada-Hong Kong connection is the kind of partnership we need everywhere these days if we are to succeed in this incredibly competitive global environment. Canada-Hong Kong business shows the advantages of a relationship moving ideas, messages, people, services, goods and capital back and forth freely, quickly and accurately in response to rapidly changing requirements.

There are other ways Hong Kong sets the pace for what we must do throughout the region.

Hong Kong students account for over 20 per cent of students arriving from Asia-Pacific, and the region provides over one half of the overseas students from all sources.

This is good for Canada. Not only does each student pump in an average of \$30 000 a year into the Canadian economy, they become, in future years, advocates for Canada in Hong Kong. They become our contacts and, in many cases, our partners in business, government, education, culture and the media.

For this reason, we want to learn from our Hong Kong experience in what some have called "the internationalization of education" and promote our educational and training services in other Asia-Pacific countries. This is a theme the Prime Minister and I will be highlighting in our upcoming trip to South and Southeast Asia in January.

Yet, concerns exist over Hong Kong's future as it prepares to become a "Special Administrative Region" (SAR) of China in 1997. Hong Kong is very high on our government's agenda and there are two big challenges facing us. We must endeavour to ensure a smooth, peaceful and harmonious transition to Chinese sovereignty, and we must ensure continuity through the transition. Our government is sparing no

effort to make this point to the government in Beijing. In this regard, we are encouraged by recent co-operation between Great Britain and China - including on the Court of Final Appeal. This is evidence that both sides can devise creative measures to ease the transition while respecting the Joint Declaration and the principles of both countries.

We want Hong Kong to remain a vibrant player in the world and a principal centre of the new Asia-Pacific. Investors and traders need this confidence. And China needs this confidence as much as the investors and traders if they too are to succeed in the global economy.

We want Hong Kong to preserve the basic human rights and freedoms of its citizens, supported by the continuation of the kind of rule of law that has so benefited the growth of the territory in the past. Once again, the agreement to establish a Court of Final Appeal early in the summer was a good step in the right direction. It will help preserve the continuity of Hong Kong's Common Law. The recent move to facilitate transition in the civil service is also helpful.

Above all, and of special importance to the members of the Association, we want Canadians of Hong Kong to be able to continue to travel, to work and to live in Hong Kong as freely as they currently do. This is something on which we continue to seek clarification from the Chinese authorities. While their assurances of non-interference and facilitation are welcome, we continue to press for detail on specific arrangements to secure their status, that of their families and their business interests.

These matters continue to preoccupy us but, overall, I am a "cautious optimist." I believe we can look forward to a reasonably smooth transition but, as they say, the devil may be in the details and, even if the details are worked out, what really counts is how international business reacts.

Much of the responsibility for a successful transition rests on the Chinese leadership. China has the potential to become a force in world production, trade and finance. Hong Kong is a window on the global economy and the Chinese government must properly utilize Hong Kong for two significant reasons: first, in order to sustain the momentum of Chinese development and second, to achieve its potential for regional and global leadership.

These are some of the challenges we and other members of the international community face in regard to Hong Kong's future. Nevertheless, I am confident that Hong Kong will continue to prosper and the relationship between the people of Canada and the people of Hong Kong will continue to grow by leaps and bounds. Indeed, to me, the Canadian success in Hong Kong is just one more advantage of being part of "Team Canada."

The entree that Hong Kong provides to Asian markets and Asian capital, in fact the unique window Hong Kong provides on the global economy, is indispensable to Canada, including Quebec. In the same way, the entree that organizations like the Canadian Commission in Hong Kong and the Canadian Chamber of Commerce in Hong Kong provide to the world of business in Hong Kong is without equal. Their fine work, as well as the facilities and services we offer at headquarters and through our International Trade Centres, are just some of the advantages Quebec business can share with Canada and, indeed, that it does share with Canada. These facts are particularly relevant at this important time in our own nation's history, for it is imperative that Quebecers realize the advantages of being part of Canada with regard to our relationship with the countries of the Asia-Pacific.

A few weeks ago I spoke to the Association des restaurants chinois du Quebec and outlined some of the risks that loom on the horizon in the aftermath of a "Yes" vote: the risk of losing one's citizenship, job and mobility rights. I went into greater detail than I will today. There is another obvious risk that is of particular concern to those of us in this room discussing the importance of Asian trade to our economy. Separating from Canada would mean that Quebec would no longer be part of a Pacific country. Given the growing importance of Asia as we have just discussed, this would be a significant loss.

As an Asia-Pacific country, Canada is active in the region and is a partner at the table of such important organizations such as the Asia-Pacific Economic Co-operation [APEC] forum. APEC includes all the major economies of the region, among the most dynamic, fastest growing economies in the world. It is setting the standards for free trade in the region, and Canada is an active participant. Quebec can not afford to miss out on this tremendous opportunity. To do so would diminish the impact Quebec companies will have in the region.

Indeed, Quebec companies are doing well in Hong Kong as part of Team Canada. There are numerous projects in services, high technology, transportation, power generation and infrastructure development where, working together with the leverage that only a Team Canada approach can lend, Quebec firms are winning contracts worth hundreds of millions of dollars. In this regard, our outstanding trade staffs in Beijing and Hong Kong are working closely with Mayor Bourque's office here in Montreal to ensure a successful trade mission next month. Mayor Bourque will be leading a business mission of some 30 companies in a number of competitive sectors and I wish them well.

In closing, I am optimistic about the future of Hong Kong. Sure there are some problems ahead — some uncertainties that trouble us — some reason for caution. But the outlook is still good. Hong Kong is still one of Asia-Pacific's most dynamic and enduring success stories.

Growth in 1995 is still expected to be above 5 per cent — a dream for some nations! It's still the freest market in the world, and one of

the world's best business environments. It's still a gateway to China and a gateway from China to the world.

Canadians, and indeed the world, need to be reassured that Hong Kong will continue as a stable and prosperous place. For Hong Kong is more than an important trading partner for Canada; ties of history and family complement and reinforce our commercial links.

In closing, the expansion of business ties across the Pacific to Hong Kong and throughout Asia will take persistent efforts, but I am confident these efforts will succeed. I believe we can build on improved market access resulting from the Uruguay round and the progress made bilaterally with a number of individual countries. It will take well-targeted trade, investment and tourism promotion efforts. It also will benefit by our enthusiastic participation in regional institutions, above all APEC.

These efforts in turn can be strengthened by complementary measures that will contribute to a much-needed maturity in our bilateral relationships as well as to our regional role. Activities should advance a diversity of objectives and engage a cross-section of our people and talent. They should portray Canada as a partner of quality and value, who is in the game for the long haul, rather than the quick fix. I say this because success in the Asia-Pacific means a commitment not only over time but across many fields of human endeavour. It covers personal ties between leaders; acceptance of certain responsibilities in areas such as peace, human rights and democratic development; recognition of the value of educational and cultural links; and sharing of experience in specific areas such as research and development, environmental preservation, or other challenges of public policy.

For me, there is a special meaning to the engagement, indeed the mobilization of Canadians of Asian origin in the building of our Asia-Pacific partnerships. Canadians of Asian origin, whether representatives of big companies or entrepreneurs from our dynamic small and medium-sized businesses can contribute to the national effort we need. They will add empathy to our Asia-Pacific ties, the kind of cultural affinity so long of benefit to our North American and European links. Much of our success in realizing our aspirations in business will have to do with the success we have in linking our peoples.

For the past two years, my government and I have been doing our part, and we will continue to do so. I hope you can join us in these efforts.

Thank you.