

Statement

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Speaking notes for the

Honourable Pat Carney,

Minister for International Trade,

to the Hong Kong-Canada Business Association

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Minister for  
International  
Trade

Ministre du  
Commerce  
extérieur

Canada

Ladies and gentlemen, it is an honour for me to be here today. It is, I believe, fitting that the first national meeting of the Hong Kong-Canada Business Association is being held early in the Year of the Dragon.

Like Hong Kong itself, this Association is showing signs of remarkable dynamism. National President Robert Brown and all members are to be congratulated on the phenomenal growth of this Association to nearly 2,000 members across the country in less than five years.

This kind of success story is particularly noteworthy at a time when Canada has set a very high priority on strengthening our economic relationship with our Pacific neighbours, including Hong Kong.

Today I want to discuss the Canada-U.S. Free Trade Agreement and our relationship with the Asia-Pacific Region, the fastest-growing region in the world.

I am in an unique position to do so, because I am both the Minister responsible for the Trade Agreement with the U.S. and the Federal Minister responsible for our Asia Pacific Initiative, aimed at developing Canada as a Pacific nation.

The Free Trade Agreement with the U.S. expands and secures our access to the world's richest market. The Asia Pacific Initiative seeks to enhance Canada's role in the Pacific Rim by developing our Pacific Province, British Columbia, and particularly Vancouver as the North American centre for Asia Pacific trade, transportation, tourism and financial services.

The Free Trade Agreement is important to our Asia Pacific activities for two reasons. First, it provides us with secure access to the North American market. This is the key to Canada's international competitiveness in markets on this continent, in the Asia-Pacific Region and around the world.

Let me emphasize this point. People who sell into the US market will not be the only winners. When tariff barriers start coming down on U.S.-Canada trade in 10 months time, tariffs are costs and the elimination of all tariffs between Canada and the U.S. by 1998 will mean lower costs and increased competitiveness for our entrepreneurs in all our markets. Similarly, the opportunities to serve the North American market with larger production runs and rationalized operations will enable Canadian entrepreneurs to become even more competitive in international markets.

In addition, the Canada-U.S. Agreement will make us an attractive centre for investment for foreign companies who want to build on that secure access to the North American market.

We need free and secure access to the U.S. market if we want to take full advantage of trade and investment opportunities in major world markets, especially in the Asia-Pacific Region.

As Mitsubishi Canada chairman Arthur Hara has said, "The Free Trade Agreement makes us more competitive in Asia-Pacific and an attractive location for Asian business".

Just how important the Asia-Pacific Region has become is clearly illustrated by a few simple facts. By the year 2000, the Asia-Pacific Region will produce 50 per cent of the world's goods and services. By the same year, 70 per cent of the world's population will be Asian. These are facts many Canadians do not recognize.

And there are facts about Hong Kong that many Canadians do not recognize. Many of our business people focus only on the geographic size and population of Hong Kong, and are unaware of its role as an important regional and international trade decision-maker.

I plead guilty to this failing myself. Last year, when I visited Hong Kong as Minister of International Trade, not my first visit, but my first as Minister, I had focussed on Hong Kong as a source of foreign investment for Canada in the period leading up to Hong Kong's return to Chinese sovereignty in 1997. I totally failed to take into account the attractiveness of Hong Kong for Canadian investments abroad, and as a front door to China. As our Senior Trade Commissioner Maurice Hladik will remember - he is here with us today - we had to hastily re-write my speech on my arrival!

When we talk about Hong Kong, we are talking about the third largest import market in Asia, larger than that of Australia and New Zealand combined. We are also talking about the gateway to other Southeast Asian markets as well as the vast, untapped markets of the People's Republic of China. Because of its geographical location, the activities of its traders, and its excellent distribution system which stretches throughout the region, Hong Kong has become a centre for exports to China and other markets in the Asia Pacific Region. This sort of entrepot trade has become a major component of Hong Kong's economic activity.

Hong Kong is the world's busiest container port and the world's sixth most active air freight terminal, busier than London's Heathrow. And Hong Kong is reputed to be the fifth largest banking centre in the world.

Last year, Hong Kong experienced GNP growth of an astounding 12 per cent and a 40 per cent increase in imports. It is a market that offers a free trade regime with virtually no tariff or non-tariff barriers. And, it is a hard currency area where financing is seldom a problem and the market is characterized by quick, firm business decisions.

This is the reality of Hong Kong. Unfortunately, Canadians have been slow to recognize it. In 1986, we ranked an unimpressive 23rd among suppliers to this market. By comparison, the U.S. exported 16 times more than we did to Hong Kong, and Australia two and a half times more.

We can do more. We must do more. Our industrial and economic future will depend to a large extent on our ability to do business in Asia-Pacific markets.

Although we have been slow off the mark, the future shows promise. Hong Kong and Canada have a unique bond of friendship and partnership that is a solid base on which we can build a greater, more diverse relationship.

We are Pacific neighbours and partners. Some 600,000 Canadians of Chinese descent live in Canada, many of whom have family ties in Hong Kong. And, more than 10,000 Canadians live in Hong Kong. About 25 per cent of Canada's foreign student population is made up of students from Hong Kong -- by far the largest group from any one country.

Residents of Hong Kong participate very actively in our program of entrepreneurial immigration. Under this program, the investment dollars from Hong Kong and the number of jobs they create in this country have been increasing.

Between 1986 and 1987, for example, Hong Kong investment under this program rose from \$590 million to \$776 million and jobs created rose from 3,400 to 4,500.

Working from this base of friendship and partnership with Hong Kong, Canadian entrepreneurs have begun to make some headway in Asia-Pacific markets.

Since 1985, our exports to the Asia-Pacific Region as a whole have been greater than our exports to Western and Eastern Europe combined -- making Asia-Pacific our second most important market after the U.S.

And, over the last decade, our exports to Hong Kong have steadily increased from \$67 million in 1977 to \$480 million in 1987. Our two-way trade with Hong Kong has also increased, reaching an all-time high of \$1.6 billion in 1987.

Another key element of our growing economic partnership with Hong Kong is, of course, investment. All our major banks have substantial operations in Hong Kong, and 35 per cent of the Hong Kong insurance market is accounted for by Canadian firms.

At the same time, Hong Kong interests have made significant investments in Canada. The Hong Kong Bank of Canada is one of the largest foreign-owned banks in this country. The K.S. Li group's investment in Husky Oil is well known to many of you. And, Hong Kong investments in garment manufacturing are helping to revitalize that industry in Ontario.

We must maintain this momentum. And the Government wants to help this happen. On my return from my first trip to Hong Kong as Canada's Trade Minister, I instructed my department to develop an action plan for Hong Kong. Today I want to outline some of the points of that plan.

Our aim is simple: to mobilize Canadian and Hong Kong business people to expand economic activity to their mutual benefit.

We have four major objectives.

First, to increase Canadian awareness of the Hong Kong market .

As I mentioned earlier, we want to change the perception that our exporters have of Hong Kong from that of a relatively small and distant Asian market to that of a sizable, accessible market that is also the gateway to other Asian markets.

We need to make Canadian exporters aware that Hong Kong is not only a market distinct from others in the Asia-Pacific Region but is also a market that has a business environment similar to the United States.

Our second goal is to take advantage of the Hong Kong re-export market .

Our plans include a program to make our exporters aware of Hong Kong's role as a re-export centre and encourage them to access it through Canadian and Hong Kong distribution systems. Re-exports through Hong Kong amounted to some

\$25 billion last year. About one third of these re-exports end up in China and the rest in other markets in the Asia Pacific Region. In the case of Canada, approximately one quarter of our exports to Hong Kong are re-exported to other centres in the region.

In addition, we will encourage a selected number of Hong Kong entrepreneurs to set up trading houses in this country in joint ventures with Canadian industry leaders. This will increase the sourcing of Canadian goods for Hong Kong entrepot trade.

And we would like to draw on the considerable expertise of your Association to use Hong Kong entrepot trade as a means of expanding Canadian exports to Asia-Pacific markets.

Our third objective is to position Canada in Hong Kong to enhance future economic ties with China.

We will be demonstrating to Canadian business leaders and their potential partners in Hong Kong that a solid bilateral business relationship can only enhance our present and future trading prospects in China. The business activities of Hong Kong and South China are becoming increasingly integrated. A large number of PRC owned companies are established in Hong Kong. Similarly, many Hong Kong traders and manufacturers are increasingly active in the southern part of China. Canadian exporters who establish sound and profitable business relationships with Hong Kong firms will be well placed to develop the Chinese market in the future. Naturally, we will continue to benefit from the fact that our trade commissioner for the South China region works out of Hong Kong.

Fourth, we want to increase business relationships with Hong Kong entrepreneurs.

We will be promoting closer joint-venture ties, building on existing business relationships between Canadian and Hong Kong companies. This will give Canadians access to Asian distribution systems and give Hong Kong business people access to the North American market.

And we will continue to develop attractive investment opportunities in Canadian manufacturing as well as to encourage leading brokers and distributors to establish operations in this country.

These are the key activities we are planning. I want to point out that officials from my department will be available to explore these plans with you in greater detail in the panel discussions this afternoon.

Earlier in my remarks, I mentioned the real success story of this Association. There are other success stories that deserve mention here today -- success stories of Canadian companies that are starting to make waves in Hong Kong.

Let me cite just a few:

- Canadian expertise has won the design contract for the vessel traffic management system for Victoria Harbour.
- About 70 Canadian companies, including Northern Telecom, Mitel and Cognos -- a Canada Export Award winner -- have established offices in Hong Kong.
- Cathay Pacific -- which started in Canada as a store-front operation in Vancouver, in 1983, now considers Vancouver its North American headquarters and will begin service to Toronto as well by next spring. In addition, Canadian Airlines International will be extending its Hong Kong service to Amsterdam by next year.
- Two Canadian consortia are competing to provide a \$65 million integrated communications system for the Hong Kong police.

Canadian representation in Hong Kong is strong and is growing stronger. The 700 members of the Canadian Chamber of Commerce in Hong Kong are very active. And so is our Commission. Six provinces have also established offices in Hong Kong.

As I said earlier, we are starting to make real headway in the dynamic and growing markets of Hong Kong and the entire Asia-Pacific Region.

As a British Columbian, born in Asia, I am particularly interested at how economic activity in Canada has gradually shifted towards the Pacific. I am delighted to see the growing interest and involvement of Canadians in Hong Kong and other Asia-Pacific markets. And, I am committed to do all I

can to encourage and facilitate even greater activity by Canadian entrepreneurs in this dynamic region.

Our destiny is closely linked to the Pacific. We have everything required to do well -- the talent, the dynamism and the innnovation. It is up to us to make it happen.

Thank you.