

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

Statement

Déclaration

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CHECK AGAINST DELIVERY

**NOTES FOR AN ADDRESS BY
THE HONOURABLE MICHAEL WILSON,
MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY
AND MINISTER FOR INTERNATIONAL TRADE,
TO THE PAN PACIFIC BUSINESS ASSOCIATION CONFERENCE**

**CALGARY, Alberta
June 4, 1992**

Thank you, and good evening everyone.

What a year it has been.

The Union of Soviet Socialist Republics is no more. Its constituent parts are today neither socialist nor united.

Countries now exist with names most of us had never heard.

Great empires have collapsed. Great houses have fallen. New forces have emerged and maybe the roots of new empires planted.

Throughout this tumult, most of Asia Pacific has been ticking along its virtuous cycle of growth and development. Admittedly, this development has not been without growing pains, as we have seen recently in the democratization of Thailand. Yet some of our transpacific partners bemoan their shortfalls below double-digit growth, generate internal rates of savings and investment that we can only dream of, and -- with little fanfare or formality -- proceed along the path of integrating an extraordinarily dynamic, flexible and determined collection of peoples.

There is no doubt that the Asia Pacific region has become an economic powerhouse that, in many ways, now sets the pace of change for the global economy. The region now boasts an aggregate gross national income twice that of the European Community (EC), and is the source of some 28 per cent of world trade.

The combined Gross Domestic Product of the four tigers and the three smaller Association of Southeast Asian Nations (ASEAN) has quadrupled over the past two decades, and shows little sign of relaxing. These economies have, furthermore, just begun to tap their own enormous potential for domestic consumption, with a combined population that approaches North America's -- and this calculation excludes both China and Japan.

It has been estimated that, by the end of the decade, the Asia-Pacific region could represent 60 per cent of the world's population, 50 per cent of global production and 40 per cent of total consumption. I cannot overemphasize the importance of being a player in this game, for Canada as well as Canadian businesses individually and collectively.

Just as Japan positioned itself in the 1950s to take over low-technology, high-labour production from North America, the newly industrialized economies of Korea, Taiwan, Hong Kong and Singapore in turn took over that production from Japan in the 1970s. Now we are seeing the third wave of Asian economies -- Thailand, Malaysia and Indonesia -- do the same thing again, each finding its own model in which savings, investment and more investment produce continuous growth. A fourth tier of developing economies may well just now be emerging, as investors

from all over the region seek the cost advantages of South China and Vietnam.

We are seeing new natural economic regions develop in ways that defy national boundaries. Look at the Guangdong-Hong Kong-Taiwan triangle. Watch Korean interests in the Chinese provinces to its immediate west. And keep an eye on the development of Russia's far east, where a new economic dynamic could well be built by leveraging Russian resources with Japanese and Korean needs, together with financing and technology from those countries as well as Canada.

Nor can we discount Japan. Over the past five years, Japan has invested twice the aggregate size of the Canadian economy, measured by Gross National Product, into new technologies, improved production and new capacity, realigning itself for a new spurt of post recession growth. It is running huge trade and current account surpluses. The combination of its capital surpluses and its labour shortages will mean that Japan will continue to be an exporter of capital, an investor in the other markets of the Asia Pacific region, including -- as long as we work at it -- Canada.

Equally impressive has been the deepening of economic links within the region. During the 1980s, trade among Pacific Rim countries grew at an average annual rate of 12 per cent -- higher than either Asian-European trade or European-North American trade for the same period. Regional integration has also been encouraged by means of significant foreign direct investment flows.

There is also little doubt that the economic dynamism and vitality of the region is first and foremost the creation of private enterprises. The Pan Pacific Business Association has played a significant role in this process since 1981, encouraging greater understanding, communication and co-operation among the countries of South East Asia and North America.

The vast improvements in quality, productivity and marketing ability achieved by companies in the Pacific Rim established new standards of competitiveness for the global economy. The techniques and approaches applied in this region have become the preoccupation of business managers around the world.

This business process has in turn paved the way for the establishment of more formalized transpacific contacts among the governments of the region. The establishment of the Asia Pacific Economic Co-operation (APEC) process in 1989, the first intergovernmental consultative forum embracing the whole of the Asia Pacific region, is an important development and one that we support enthusiastically.

I attended the highly successful APEC Ministerial Meeting in Seoul last November. I was struck by how effectively this forum -- barely two years old -- operates, and by the opportunity it provides for ministers from the region to engage one another in substantive policy discussions.

We think APEC can and should become a leader on issues of international trade, for example, by defining innovative approaches to a new generation of issues that is being unleashed by the forces of globalization.

Trade is, of course, one of the principal vehicles of interaction among the members of the Asia Pacific community. Nothing defines better the ties that bind us, or the promise of even better things to come, than the movement of goods and services and the accompanying movement of capital, technology and ideas among our countries. The vitality of trade in our region is one of the success stories of the past 25 years and gives us every hope of an even more prosperous future together.

Through the web of institutions now sprouting in and across the Pacific, I believe our collective aim is to instill what might be called a "pacific trading culture," based on the freer movement of goods, services, ideas and capital. Such a trading culture in the Asia Pacific community would serve to reinforce an open, liberal trading regime at the global level.

But transforming this vision into reality will require concerted, mutually reinforcing efforts by governments, corporations, universities and other stakeholders. You have a huge stake in this process. It needs your talents, insights and support. We in government have a duty to build an appropriate policy framework, internationally, regionally and within our domestic economies, that can enable such an open, trading culture to take hold.

That is why the Uruguay Round of Multilateral Trade Negotiations (MTN) remains Canada's number one international trade policy priority. We need a trade expanding agreement in Geneva that will give us the tools necessary to manage the changes brought about by globalization, which are affecting us all, and to reassert the global community's commitment to a liberal, rule-based trading regime. We need an agreement encompassing new subjects like trade in services and intellectual property, as well as better access for goods, including agriculture.

The continuing delay in concluding the Round, added to the recession-induced pressures in many of our economies, weakens business confidence and exacerbates international trade frictions.

This point is illustrated in the Japan-U.S. trading relationship, where massive imbalances have generated mounting pressures for the adoption of managed trade practices.

I am sure I do not have to tell you about the dangers inherent in the drift towards managed trade between the world's two largest economies. Not only do such measures undermine the open international trade regime based on agreed rules that we all support, but they distort international trade patterns in a way that inevitably discriminates against third parties.

The single most important step we can take to blunt these menaces is to conclude a substantial result in the MTN as soon as we can.

I can say that we are moderately encouraged by recent developments in reform of the EC's Common Agricultural Policy. This could well pave the way for the U.S. and EC to resolve their differences on agriculture. Of course, progress on agriculture is crucial to global settlement of all the outstanding elements of the trade round.

The sooner we can put these issues behind us, the sooner we can realize the great potential offered through implementing the Round for worldwide trade expansion, growth and development.

But our challenges do not end there. We have also sought to promote an open, liberal-minded trading culture through creative initiatives at the regional and sub-regional levels.

A moment ago, I mentioned our constructive involvement in the APEC process. We also fully support the building of appropriate sub-regional structures designed to meet more specific needs, as long as they are consistent with GATT.

This concept of "open regionalism" is precisely the thinking that lies behind the Canada-U.S. Free Trade Agreement, as well as our participation in the negotiations for a North American Free Trade Agreement (NAFTA). We understand the proposed ASEAN Free Trade Agreement (AFTA) embodies the same policy approach. We believe these initiatives can strengthen the commitment to free trade principles that would underpin a Pacific trading culture.

On this basis, Canada welcomes the commitment of the ASEAN leaders to strengthen economic co-operation and trade liberalization within the region. We view this renewed effort to reduce trade barriers among the ASEAN countries as a positive development that should, over time, enhance economic development within ASEAN and undercut the forces of protectionism.

We consider our own efforts to create a North American free trade area as mutually reinforcing in terms of our approach to, and stake in, the multilateral trading system. They are parallel

initiatives with the same, central objective: expanding trade and investment opportunities through liberalized trade.

I know that our Asia Pacific partners have some concerns that a NAFTA might lead to the formation of a North American trade bloc that might shut them out. As I and my counterparts from the United States and Mexico have said on a number of occasions, we are not seeking in NAFTA to create an exclusionary trade bloc of any kind, nor do we seek to erect any new barriers to our trade with other partners.

The purpose of NAFTA is to design a more predictable and effective rule-based framework to govern trade and investment flows in North America. Any agreement that emerges will be fully consistent with the GATT and will help reinforce the concept of a Pacific trading culture, by opening our economies still further to foreign competitive pressures, and by more firmly entrenching the principles of free trade within our private sectors. Creating an integrated market of some 360 million people, NAFTA will, through rationalized production and enhanced incomes, generate a substantial boost in investment and trade opportunities for the entire global trading community.

Furthermore, the issues being negotiated in the NAFTA context are in many cases on the cutting edge of trade policy, and could serve as useful precedents for multilateral and other regional negotiations.

As a government, and a member of the group of seven leading industrialized countries (G-7), we have no alternative to confronting the most urgent matters on the international agenda. We and other G-7 governments have had to devote a great deal of attention to Eastern Europe and the collapse of Communism and its tyranny.

Another major development is Europe 1992. EC '92 presents challenges along with considerable opportunities in our trade and economic relations with the EC. On balance, we view EC '92 positively because it supports trade liberalization.

Then, too, the Earth Summit in Rio has focused on environmental issues which must concern us all today. Canada -- in line with other G-7 countries -- will do its fair share to support the international follow-up that will be needed to ensure the success of the United Nations Conference on Environment and Development.

Canada does not support using trade measures to correct environmental problems in other countries. We prefer multilateral action, long a cornerstone of our foreign and trade policy.

It's for this reason that we believe the GATT working group on Environmental Measures and International Trade is the appropriate forum within which to address the relationship between trade and the environment.

None of these preoccupations should be taken to suggest, however, that we have somehow turned our backs on Asia Pacific. If we have spared no time or visible attention, it has been simply because most of our transpacific relationships have been free of the immediate turbulence and threat that have marked the management of our collective relationships with the former Soviet Union and its erstwhile satellites.

We know, however, that what is happening in the Asia Pacific region is as vital to us as a country as what is happening anywhere else. Driven by export-led investment patterns, country after country on the western edge of the Pacific has levered itself forward. Europeans are not unaware of this, either. Recently, I met with the financial community in London: they see western Canada as a gateway for them to the Pacific and the opportunities there.

At the Pacific Basin Economic Council last week in Vancouver, I urged delegates from the private sector to take advantage of that meeting to turn this promise and this interest into tangible results. I do so here as well.

At a domestic level, the federal government in Canada has put in place a wide range of policy measures designed to put the Canadian economy on a secure footing to compete successfully in the global economy. With over 25 per cent of our production and one third of our jobs directly tied to exports, international trade is our lifeline. We know that traditional solutions will no longer be enough to ensure that we keep up, and we look increasingly to the Pacific Rim to find the trade and business partners for our future progress.

The policy framework that we have worked to create domestically has featured continuing deregulation, privatization, investment promotion and trade liberalization, deficit reduction, substantial tax reform and an aggressive battle against inflation.

Signs of success are already evident. Both interest and inflation rates are at their lowest levels in 20 years. As well, measures such as the Canada-U.S. Free Trade Agreement have opened the Canadian economy, creating a positive climate for the Canadian-based export industry and enormous opportunities for foreign investors in Canada.

Over the past seven years, Canada's merchandise trade exports to Asia Pacific have climbed sharply -- rising to \$16 billion in

1991 from \$11 billion in 1985 -- an increase in nominal terms of 45 per cent. Our total merchandise trade exports in the first three months of this year are at record levels.

Furthermore, we have launched a wide-ranging Prosperity Initiative here in Canada that involves examining our achievements and shortcomings, and stimulating debate on how we can manage global change in our own economy and use external challenges and opportunities efficiently to lever ourselves forward. Through this initiative, we aim to devise a plan of action to address the challenges ahead and improve our international competitiveness.

We have introduced partnership programs such as Pacific 2000. This is a multifaceted program of initiatives designed to make Canadians more competitive and capable in dealing with the markets in Asia Pacific. Through grants to the Asia Pacific Foundation, language and cultural awareness programs, longer-term market development support and enhanced support to business and industry associations such as this one, we are helping forge more effective business linkages in the region.

The Pacific Rim unquestionably holds tremendous potential for us all as a source of investment capital flowing in every direction around the region, as partners for the development of new and better technologies, and as markets for the exchange of our goods and services. Partnerships are of course two-way streets, and the Asia Pacific region is a multidirectional highway. I am convinced that Canadian businesses offer great opportunities for strategic partnerships with their counterparts throughout the region, and I am sure businesses from other parts of the Pacific Rim do as well.

I have recently led major trade missions to Korea, Japan and China and am impressed with the strength and dynamism of these countries. I look forward to other similar missions to other countries of the region in the months to come.

Everywhere I go, I am struck by the tremendous opportunities that exist in this region for partnerships. The business people who make up these missions develop new insights and are enthusiastic to apply the lessons to their own companies.

These missions are achieving some very tangible results. The mission to China, for example, resulted in four contract signings in the telecommunications sector.

Collaboration, co-operation and consensus, as well as competitiveness, are all words I now associate with the success of companies in the Pacific.

While governments have an important role to play in building an outward-looking economic policy environment, we cannot do it alone. At the end of the day, it will be up to the business and academic communities -- people such as yourselves, working through the Pan Pacific Business Association and elsewhere -- to give life to the concept of an open, mutually beneficial Pacific trading culture. It is to individual private enterprises that will fall the task of making the adjustments necessary to remain or become globally competitive and to respond to the shifting demand patterns in the rapidly growing Pacific economies.

I believe you have a vital leadership role to play in helping to forge and promote a culture in the Pacific that responds to these forces of change in a positive, constructive manner. To compete successfully in the new global marketplace, businesses will more than ever have to seek transnational partnerships, alliances and strategies.

We have learned, often the hard way, that inward-looking thinking and policies do not work. Barriers to trade and other forms of economic interaction, like all protectionist policies, stifle economic opportunities for all concerned, particularly for those who adopt them.

The challenge before us is to help develop attitudes and outlooks among businesses and other players in the region that are outward in orientation and open to new ideas and approaches. What we need in the Pacific is to build on the remarkable economic gains that have been achieved to date by solidifying the openness that has been the root of that success.

This conference is an important step in a continuing process -- a process not only of building trade and business relations, but of building understanding and co-operative approaches to address common objectives.

The Asia Pacific region can and should lead by example. We have much to be proud of in terms of our past economic accomplishments, but also much to look forward to in the years ahead. With government and business working in partnership, I believe we can promote a Pacific trading culture in this most dynamic region that will help to build a better and more prosperous world for all of our peoples.

Thank you.