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ATTACHED IS THE REPORT TO PARTICIPANTS ON THE PACIFIC RIM OPPORTUNITIES CONFERENCE HELD IN VANCOUVER ON NOVEMBER 19 - 21, 1980.

CI-JOINT LE RAPPORT AUX PARTICIPANTS A LA CONFERENCE TRAITANT DE L'OUVERTURE SUR LE PACIFIQUE QUI A EU LIEU DU 19 AU 21 NOVEMBRE 1980 A VANCOUVER.

Ottawa, Canada
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REPORT ON

PACIFIC RIM OPPORTUNITIES CONFERENCE

INTRODUCTION

This report is primarily intended to record, for the use of Conference participants and others, including government policy makers, suggestions made at the Pacific Rim Opportunities Conference on how Canada can enhance its relations, particularly its economic links, with the countries of the Pacific Rim.

The report does not, of course, constitute a full record of the proceedings of the Conference. The observations in the report are admittedly selective but hopefully provide a minimal framework within which the Federal Government and others, to whom they are addressed, can assess the validity of the suggestions made.

The principle of non-attribution has been preserved throughout the report. Irrespective of the sessions in which they were made, observations and suggestions, other than those which evidently are "general" in nature, have been assembled under the relevant topic headings used for the Plenary and Seminar Sessions of the Conference itself.

GENERAL

The major "themes" underlying the discussions in the Conference were: -

a) The countries of the Pacific Rim addressed in the Conference*, differed culturally, socially and politically, but together constituted a region with great economic potential for the 1980s.

b) Canada's trade and other business links with the Pacific Rim were assuming increasing importance for Canada's own economic performance. Canada's trade across the Pacific now exceeded that with Europe. The intensification of economic contacts with the Pacific would both flow from and contribute to the westward shift of economic activity within Canada itself.

c) Notwithstanding the rapid rise in trade with the Pacific Rim, there was little doubt that Canadian businessmen should be more active in pursuing the opportunities that existed in the region. Business

* Japan, Korea, Australia, New Zealand, Fiji, Papua New Guinea, Western Samoa, Indonesia, Malaysia, the Philippines, Singapore, Thailand, China and Hong Kong.

and government leaders throughout the region were insufficiently aware of Canada's supply capabilities particularly in the high technology sector.

d) Better coordination of effort between the private sector and the two levels of Government in Canada was required if Canada was to take maximum advantage of business opportunities in the Pacific.

e) The keys to business success in the region were frequent visits and appreciation of and adaptability to local cultural, social and political factors. Canada's future relations with Pacific Rim countries should be broadly based; more intensive cultural and political contacts should accompany enhanced economic links.

f) The Pacific region is going through an exciting phase of developing greater regional consciousness and concrete forms of cooperation in economic and other spheres which may lead to the formation of a tangible "community". Canada should be part of that process.

The major "general" suggestions to emerge from the Conference were: -

1) To sustain the momentum of the PROC (and the immediately following cross-Canada tour by Canada's Pacific region Trade Commissioners) a further Pacific Rim Conference might be convened in 1981. This might be organized by the Canadian Committee of PBEC with government support. Such a Conference might be structured differently from the PROC with greater emphasis on workshops. Participation (whether or not by invitation) could be expanded beyond that of the PROC to include Canadians working in the Pacific Rim countries and nationals of these countries.

2) A Trade Fair should be held in Vancouver every two years. The Fair would provide a showcase of Canadian products of potential interest to purchasers in the Pacific Rim. In addition floor space would be made available to developing countries in the Pacific Rim to exhibit their products. The Fair could be held in the proposed Pacific Trade and Convention Centre.

3) The Canadian Committee of PBEC should undertake an "umbrella" role in encouraging regular and structural contacts between the business community in Canada and its counterparts in Pacific Rim countries.

4) A Canada/Pacific "Foundation" should be established to enhance Canada's presence in the Pacific. A "Foundation", funded by Government, could bring together the federal and provincial governments, business and other private sector organizations and academics interested in the region. Its primary objective would be to increase mutual understanding between Canada and the Pacific Rim countries and build public support for Canada's relations with these countries both at home and abroad.

JAPAN

Canada currently enjoyed a two billion dollar trade surplus with Japan. However, building on this achievement, Canadian exports could be increased further.

The Japanese economy was adjusting to higher oil import costs, more rigorous anti-pollution standards and intense competition from the newly industrialized Countries of Asia. Japan was seeking to move out of energy-intensive and pollution-creating resource processing. Examples of Canadian products which could benefit from Japanese energy related adjustments were coal, nuclear reactors, and petrochemicals.

Japan also constituted a potential market for Canadian manufactured items including automotive parts. Trade barriers still persisted in Japan e.g. the Buy National policies of the Japanese Post Office. However, current negotiations between Japan and the United States were likely to result in relaxation of this restriction, thus perhaps improving prospects for Canadian telecommunications manufacturers. On the general issue of protectionism in Japan, it was noted that formal trade barriers had been significantly liberalized; "Japan was an open market but a closed society". There were certainly difficulties in selling in the Japanese market but Canadian manufacturers had to be more persistent in their efforts. There was an inconclusive discussion on whether Canada could or should link exports of raw materials to Japan to that country's imports of Canadian manufactured goods. It was noted that freight rates currently impeded export of resources in a processed form.

Japan should remain a major market for Canadian grains and oilseeds and every effort should be made to maintain this market. The Canadian transportation system for grains was a bottleneck and needed improvement. Problems encountered by Canadian exporters of apples and cherries in the administration of Japan's phytosanitary restrictions were on the way to resolution as a result of cooperative efforts involving the private sector and the Federal and Provincial Governments.

Joint ventures were a means of associating Japanese companies in the development of Canada's resource base and of acquiring Japanese technology for the Canadian economy. Canadian companies were already collaborating with Japanese corporations in joint ventures in third world countries.

A number of speakers stressed the importance of cooperation between business, labour and Federal and Provincial Governments, in strengthening Canada's economic position in Japan. Reference was made to the successful collaboration between the private sector and the Federal and Provincial Governments in wood products sales to Japan.

Canadian universities could do more in the area of Japan studies. Australian universities had been active in establishing courses in Japanese business, law and language. Canadian institutions should be encouraged to establish research linkages with Japanese organizations.

KOREA

It was recognized that the Korea of today could be regarded as the Japan of 15 years ago. Korea was rapidly evolving from a developing to an industrialized country.

Korea presented major opportunities for a range of Canadian interests. The government wished to diversify the country's economic dependence on the United States and Japan. Korean industry needed Canadian natural resources. Moreover, in contrast to Japan, Koreans were very willing to import Canadian technology. Hopefully, it would prove possible for Canada to break the current U.S. monopoly of Korean wheat imports. It was noted that Canada already enjoyed important sales of livestock in that market.

The formation of the Canada/Korea Business Council was announced during the Conference.

AUSTRALIA

Australia was already a good market for Canada particularly for manufactured items. The burgeoning resources boom would transform Australia into a significant economic power and a strong market for Canadian goods. Australia could become Canada's second market for manufactures.

Australia's economy was free market oriented. Although there were concerns over foreign control of resources and a FIRA-like screening agency had been established, Australians recognized the need for outside capital and technology. More than $20 billion of foreign capital will be needed to finance resource projects in the next few years. Canadians were welcome partners in resource development particularly through joint ventures. Joint ventures between Canadian and Australian companies could also be profitable in third countries.

The May 1980 trade mission to Australia and New Zealand led by the Minister of State for Trade, had confirmed that there were a range of business opportunities for Candian companies in Australia.

In the high technology area, Canada could meet Australian requirements for satellite systems, videotex and computer equipment. The resource boom would provide opportunities for the sale of Canadian equipment for the mining and processing of aluminum, coal and oil. There were prospects for sales of agricultural equipment (including small items), automotive products and even consumer goods. The EDC line of credit of $10 million with the Australian Industrial Development Corporation would facilitate small contract penetration of the Australian market. Canadian exporters could be more assiduous in pursuing these opportunities.

Canadian banks may find new opportunities in Australia with anticipated changes in Australian banking legislation. There were also prospects for Canadian consulting services and sales of manufactures arising from their activities.

The Canada/Australia Trade Agreement would likely be renegotiated in 1981. Australia wished to preserve tariff preferences. New opportunties would in any event arise for Canadian manufacturers in the Australian market as preferences currently enjoyed by the United Kingdom were to be phased out in January and July 1981.

NEW ZEALAND

Canada and New Zealand have many common characteristics and it was relatively easy for Canadians to do business with New Zealand. Items Canadians had sold included fertilizers, power and forestry equipment and locomotives. Resource development will likely call for some $4 billion in investments over the next few years. Energy, forestry, and fisheries were priority areas in which Canadian equipment suppliers were well placed to participate.

New Zealand had instituted a foreign investment review mechanism but foreign capital and technology were welcome. A Canadian company had recently entered into a joint venture for the production of methanol.

Canadians enjoyed tariff preferences in the New Zealand market. The Canada/New Zealand Bilateral Trade Agreement was up for renegotiation in 1981. New Zealanders wished to retain preferential arrangements. Quantitative restrictions maintained by New Zealand for balance of payments reasons had created problems for Canadian exporters but were being progressively phased out. Given their heavy dependence on agriculture, New Zealanders were concerned over restrictions against their exports, including limitations on beef exports to Canada.

PAPUA NEW GUINEA

Papua New Guinea was seeking to reduce its heavy financial dependence on Australia and would welcome more aid from Canada. Diversification of supply sources could provide openings for Canadians in highway construction, port development, water supply, timber and mineral exploration.

ASEAN

The ASEAN region (Indonesia, Malaysia, Philippines, Singapore and Thailand) had experienced strong economic growth in the 1970s. This was expected to continue with the Gross National Product doubling from 120 to 250 billion dollars by the end of the current decade.

The countries of the region differed in terms of race, language and religion. All, however, were basically committed to a private enterprise economic system. Their governments were favourable to Canada as they sought to diversify their relations, now heavily focussed on the United States and Japan. CIDA's industrial cooperation program was useful in facilitating Canadian economic links particularly with Indonesia.

Trade opportunities existed for a wide range of Canadian enterprises including small businesses such as pump and silo manufacturers.

Canadian business had reported some remarkable successes but generally, Canadians were not fully exploiting the opportunities available to them. Too many Canadian businessmen either ignored the region or had explored it only superficially. As a consequence, the ASEAN countries remained largely ignorant of Canadian technological capabilities.

The governments of the region favoured joint ventures which presented opportunities for Canada. Canadian companies should seriously consider investments in ASEAN countries because of the region's economic growth prospects; free market philosophy; skilled and hard working labour force; and the availability of well financed local joint venture partners. ASEAN countries offered investment incentives e.g. tax exemptions and deductions and guarantees against appropriation, and guaranteed remission of profits and capital. Legal limitations on foreign investment tended to be "negotiable".

To benefit from these opportunities, Canadians had to obtain a better understanding of the cultures and politics of the five countries. Canadian businessmen should work closely with Trade Commissioners and Canadian commercial banks which were well represented in the region. Of prime importance was the selection of a good local agent. Frequent visits by company executives were essential. Canadians could do more for their image by advertising in the regional press.

The creation of a Canada/ASEAN Businessmens Council was proposed. Reference was also made, however, to the desirability of avoiding excessive institutionalization of business contacts.

Participants were advised that the Second National Conference of the Canadian Council on Southeast Asia would be held in Singapore, in July and August 1982, and would include sessions designed to pool the experience of Canadian businessmen and officials.

CHINA

China's current efforts to modernize its economy could have a profound impact on world trade and could open up major new opportunities for Canadian business. The commitment of the Chinese leadership to modernization had been confirmed by recent government appointments. Moreover, there was evident pressure from the Chinese people for higher living standards. Nevertheless, it was evident that the modernization program initiated early in 1978 could not be realized within the time-frame originally envisaged. There were major constraints on economic development including a shortage of scientific and management skills; an inadequate transportation system; and a stagnant energy sector. It was evident too that the Chinese leadership remained committed to the principle of self-reliance and was unwilling to incur any significant degree of foreign indebtedness as a means of paying for imports of modern Western equipment and technology. Thus, the large volume of official foreign credit available to China, estimated at nearly 30 billion dollars, remains virtually untouched. Instead, China would seek to pay for imports through increased export sales. Given the existing constraints, particularly that on foreign exchange, the Chinese Government would continue to favour joint venture arrangements with Western companies perhaps involving compensation trade.

Canada would continue to sell wheat and industrial materials and was in a position to supply China with specialized equipment, engineering and management expertise. However, the ability of China to import Canadian goods and services would be limited by availability of foreign exchange and influenced by Canadian imports of Chinese products. In this regard, a suggestion was made that the Canadian Government might consider barter transactions with China, perhaps as a party to a multilateral scheme. It was pointed out, however, that this could give rise to problems if the Government were to become involved in importation of products which competed in the Canadian market with those of Canadian industry. China might usefully draw on the services of Canadian consultants in seeking to improve the design and packaging capabilities of Chinese exporters.

The development of a market in China required patience, persistence and considerable ingenuity in devising business deals. Government support such as the U.S. $2.0 billion EDC line of credit was a vital component. It was suggested that this line of credit be made available for Canadian investment in joint ventures. It was also proposed that CIDA should consider including China as a potential aid beneficiary.

Success for Canada in China would require close collaboration between government and business. A proposal was made that the government should help finance the Canada/China Trade Council particularly given the Council's role in encouraging imports from China so as to ensure a better balance of trade and improved long-term prospects for Canadian exports. There was room for improvement in relations between the Canadian Embassy and the representative of the Council in Peking.

It was suggested that consideration be given to opening government trade offices in Shanghai and Canton to take advantage of the decentralization of economic decision making in China and that Canada should hold a high technology exhibition in Peking along the lines of the 1972 exhibition.

HONG KONG

It was noted that Hong Kong had developed into a major regional economic centre and a number of Canadian companies had opened regional offices there. The Hong Kong market of 6 million consumers was worth pursuing in its own right. Hong Kong was, moreover, a practical channel of entry into the Chinese market.
The Chinese policy of pursuing close relations with the West had improved the investment climate in Hong Kong.

Canada's objectives in Hong Kong in the 1980s should be to raise our profile; diversify exports with more attention to small items; and to use the Territory as an entrée into South China.

EXPORT FINANCING

The Export Development Corporation (EDC) regarded the Pacific Rim region as having great economic potential for Canada and the Corporation was prepared to give strong support to Canadian exporters in the region. All the countries of the region were in large part credit worthy. Credit and credit insurance were available for commercially viable projects throughout the area. Potential exporters to the region should apprise EDC at an early stage of their sales plans and should take advantage of EDC expertise.

Competition among official lending agencies of industrialized countries was recognized on occasion as being intense. Some export financing agencies in other countries benefit from subsidized interest rates and "credits mixtes". This "non-commercial" competition could affect Canadian export performance on specific projects both generally and in the countries of the Pacific Rim. The OECD "Arrangement" was intended to limit competition in export credit terms. In practice, however, all participants have been known to derogate from the accepted norms. New efforts were being made to introduce greater discipline into the OECD "Arrangement" but some of the parties to it were unwilling to forego their current competitive practices.

Some speakers considered that EDC interest rates were non-competitive and that lower EDC rates were of critical importance in improving Canadian export performance. Another speaker pointed out that the competitiveness of EDC credit terms could not be assessed in terms of interest rates alone. There were features of EDC lending practices which were somewhat unique and contributed importantly to EDC's competitiveness: -

- extended repayment periods;
- the tailoring of loan repayments to cash flow from the particular project being funded;
- availability of parallel financing from CIDA on some projects;
- choice of currency (one Pacific Rim country loan had been expressed in Swiss francs);
- opening of lines of credit (including revolving lines);
- discounting of foreign buyers' notes;

- structuring of financial packages to customers' presentational sensititivites (i.e. flexibility in allocating costs between interest rate and financing and servicing charges).

EDC's mandate requires it to operate on commercial principles and to be self-sustaining. The Government's policy position vis-a-vis EDC was currently under review. Changing the EDC mandate raised issues of principle such as the legitimacy of subsidizing export sales but not those to the domestic market. A number of speakers expressed support for the recommendations of the Hatch Committee and urged that the EDC mandate be altered to permit the Corporation to offer fully competitive interest rates. A new concessional financing facility should be created in EDC to provide long-term financing at very low interest rates. Such a facility need not be large but could be used on a selective basis for projects of high visibility. The EDC might be empowered to issue tax free bonds so as to access lower cost financing. EDC should also introduce a facility to finance feasibility studies. It was also suggested that EDC internal procedures should be streamlined so as to avoid situations in which EDC's "best offer" comes too late to affect contract negotiation.

CIDA's aid programs made an important contribution to Canada's overall relations with many of the countries of the Pacific Rim. CIDA was cooperating more closely with business and had introduced new business oriented programs. CIDA was becoming more important in the area of large scale projects where it was contributing to financial packages along with EDC. There was potential for cooperation between CIDA and the aid agencies of Arab OPEC members.

Although CIDA aid would never constitute a significant portion of the foreign exchange of Asian and Pacific recipients, bilateral aid, particularly because it was tied to procurement in Canada, could contribute to Canadian export performance. However, there was increasing competition among aid donors for the good projects; some projects could give too high a "profile"; and often there were no follow-on commercial benefits once a project was completed.

CIDA, through its Industrial Cooperation Fund, already financed some technology transfer and training of personnel. However, CIDA's capacity in this area was limited and it was suggested that the question of financing of technology transfer be examined by the Export Trade Development Board. It was also suggested that funds available in CIDA for pre-feasibility studies should be substantially enlarged.

CIDA procedures were slow. Accountability checks were so thorough that CIDA, among all the aid agencies, had the reputation in recipient countries of being least capable of fast implementation and as a consequence was not considered for potentially attractive projects. CIDA should be encouraged to speed up its procedures.

Projects financed by the Asian Development Bank (ADB) provided opportunities for Canadian exporters. The Bank committed $1.5 billion annually for equipment, construction and consulting services.

Canadian companies could do more to realize these opportunities. In 1979 Canadian companies had bid on only 22 of over 1,000 ADB financed projects (and had won 14 of them). Canadian expertise was tailored to meet ADB priorities in energy and minerals development, education and health. The Department of Industry, Trade and Commerce had organized a cross-country series of seminars to increase awareness of the ADB among Canadian businessmen.

Canadian commercial banks had, in recent years, rapidly expanded their operations throughout the Pacific Rim and had the financial muscle and range of services to provide substantial support to Canadian exporters in the region's markets by: -

- providing marketing information, credit checks, foreign exchange advice, local information and introductions to potential agents and buyers;
- extending letters of credit and short- and medium-term financing, including the financing of feasibility studies;
- issuing performance bonds, bid bonds and foreign exchange contracts.

These services were available to exporters throughout Canada. Canadian banks were active as participants in and initiators of financial packages which could involve foreign banks and EDC.

It was noted that Canadian small businesses tended to avoid the Pacific region particularly ASEAN. The suggestion was made that, to permit an analysis of the reasons, it would be useful for the Department of Industry, Trade and Commerce to prepare a digest of PEMD reports by small businesses setting out non-attributed generalizations on the problems such small businesses had encountered in the region. Such a digest could be useful to other small businesses contemplating exporting to the Pacific Rim.

The observation was made that there was a lack of appreciation in Canada of export financing and the institutions involved in the activity. Canadian educational establishments should, as in other countries, include courses on export trade and financing.

TRADE IS A TWO WAY STREET

Canada was perceived in the Pacific region as a relatively open market. There were, however, risks that if further restrictions on imports of sensitive items were introduced, this could be harmful to Canada's export efforts in the region. Indonesia had reacted to new textile restraints introduced by the United Kingdom by indicating that U.K. export interests in Indonesia would suffer.

There were, it was suggested, disadvantages in protectionism for Canadian industry itself. Restrictions against imports raised costs domestically in Canada and made it more difficult for stronger Canadian industries to compete effectively in international markets. In fact, Canadians needed to do a better job in achieving free trade within Canada itself. Internal barriers increased costs and presented a confusing picture to foreigners. Canada could learn from Japan in encouraging readjustment of its industrial structure in the face of a changing international environment. The employment argument for protectionism would be less compelling in the 1980s than it had hiterto been because of the declining growth rate in the work force.

On the other hand, it was argued, Canadian trade policy had to be formulated within the context of Canada's industrial policy and take into consideration the availability of viable employment alternatives when jobs were displaced by increased imports. The growth of imports in sensitive sectors created unemployment in the manufacturing sector. Imports from developing countries, including those in the Pacific region, tended to be concentrated in sensitive, labour-intensive, sectors.

The following points were made in support of the proposition that textile and clothing quota arrangements should be maintained:

- rates of import penetration were higher in Canada than in any other industrialized country;
- restructuring had already occurred and was continuing, particularly in textiles, but there were limits to the speed of adjustment;
- the Canadian industry had to contend with a number of disadvantages including a small domestic market, vast internal distances, and high wages and taxes;
- productivity in the textiles and clothing sector was rising faster than in the manufacturing sector as a whole;
- Canada's import restrictions in this sector were governed by the provisions of the GATT Multi-Fibre Agreement.

Under the present system, textile and clothing quotas were allocated by the governments of the exporting countries, thus placing negotiating power in the hands of quota holders. Naturally, as quotas were expressed in unit quantities, exports tended to be in the higher price range more directly competitive with Canadian products. In some exporting countries quota entitlements were marketed thus further raising the cost to Canadian importers. Quotas, it was suggested, should be in the hands of Canadian buyers; they should be administered more flexibly and should not apply to products not produced in Canada.

A number of the countries in the Pacific region currently enjoying general preferential tariff treatment were no longer less developed countries but should be regarded as "newly industrialized countries" (NICs). These countries had sophisticated and technologically advanced industries. It was suggested that Canada should identify criteria and a time schedule for the removal of privileges which the NICs currently enjoyed. Such steps should be undertaken collectively with other industrialized countries.

National trading corporations in Canada should be based on major domestic companies. The Japanese "Sogo Sosha" was not a viable model for Canada.

There should be a greater degree of consultation among the Federal Government, the Provinces and the business community in the formulation of trade policy. References were made, in this regard, to the successful consultative machinery which operated during the Multilateral Trade Negotiations.

INVESTMENT, TECHNOLOGY TRANSFER AND JOINT VENTURES

Joint ventures constituted the most effective and mutually beneficial means of transferring technology from industrialized to developing countries and had many advantages for Canadian companies. They provided a structure for the involvement of local businessmen who were knowledgeable of the laws and customs of the host country and they provided the means for associating local capital in financing and risk sharing.

The essential points to be borne in mind by Canadian companies contemplating the formation of a joint venture were:

a) they will be demanding on the resources of the Canadian company;
b) local partners are invaluable for information on local customs, laws, etc. and for contacts with local governments;
c) detailed market surveys are essential before deciding on a joint venture. Surveys should include information on the investment climate. Advice should be sought from banks, including Canadian banks, and foreign investors already operating in the host country.
d) choice of a partner is crucial. The prospective partner should have the ability to manage the joint venture, as well as the necessary capital and other resources;
e) communication and a "meeting of minds" is much more important than legal contracts; the short- and long-term objectives of the two partners must coincide;
f) the Canadian investor brings technology to the partnership. Technology transfer must be achieved in a manner which brings long-term benefit to both the foreign investor and the host country. The Canadian company will need to maintain its technology through continuing R & D expenditure. Patents should be protected in the host country.
g) the host country government will want assurance that the foreign investor will be a good corporate citizen conforming to the economic and social goals of the host country.

Host and home governments had a role in facilitating joint ventures and other forms of private investment. Reference was made to the PBEC "Charter on International Investments" which establishes guidelines with respect to the behaviour of governments as well as corporations. Host governments could contribute to the formation of joint ventures and other forms of foreign investment by setting clear rules for investors.

It was suggested that in future the Government of Canada should be more active in seeking bilateral trade agreements, particularly with developing countries and, where appropriate, include provisions in these agreements on investments as well as on traditional trade issues such as tariffs. For example such agreements (or Protocols) might cover:

- procedures for settlement of investment disputes;
- registration of technical agreements, and provisions relating to royalties and their transfer;
- taxation of investment-generated income including dividends and fees;
- undertakings with respect to remission of profits to Canada.

It was also suggested that there should be enhanced consultations between business and government in Canada on the content of future bilateral trade agreements.

References were made to foreign investment in Canada. It was anticipated that the Japanese joint ventures in Canadian resources and manufacturing would increase rapidly during the 1980s despite concerns among Japanese businessmen over Canadian investment policies.

PACIFIC COMMUNITY

As a Pacific nation, Canada had a legitimate interest in the Pacific Community Concept. Consciousness of the Pacific region as a distinct entity had already found expression in a number of regional institutions including the Asian Development Bank, the Pacific Asia Forum for Trade and Development (PAFTAD), and the Pacific Basin Economic Council (PBEC). Discussion in PAFTAD had led to a proposal for an organization for Pacific Trade and Development (OPTAD). The Pacific Community Concept as such originated with the Japanese who, as early as the 1960s, had perceived of the "Community" as a means to promote economic growth in the region and to provide for a collective response to global and regional economic problems. Interest in the Concept had regained considerable momentum over the last two years. However, it was generally recognized that the creation of new institutions would take time.

The interests of potential members of a Pacific Community organization evidently differed. Moreover, it would in fact be difficult to determine the membership of an eventual Pacific Community organization beyond the "core" group of ASEAN, Australia, Canada, Japan, New Zealand, the United States and the Republic of Korea. The ASEAN countries were concerned over what they perceived as the risks to their own regional organization from a broader Pacific body which included major industrialized states. One approach to the membership issue might be to identify the purposes and agenda of the organization first as this might facilitate agreement on membership.

There was a report on the recent Canberra Seminar on the Pacific Community convened by the Australian National University. The major conclusions of the Canberra meeting had been:

a) that a permanent formal organization was not yet feasible;

b) the initial focus of efforts towards a Community should be on economic questions where concrete results might be readily achievable through cooperative effort;

c) among organizational options, there was no support for the European Economic Community model involving binding obligations and transfer of national sovereignty nor for an OECD-type institution;

d) an ongoing committee, involving business, academics and governments, should be established; the committee would set up task forces to look at specific areas of future Pacific cooperation.

The Chairman of the Canberra seminar, Sir John Crawford of Australia, would now work with governments on the establishment of the proposed committee, which was expected to meet in the first half of 1981.

Questions were raised as to a) the desirability of establishing another international institution and b) whether support for such an institution was justifiable in terms of Canada's current priorities and concerns. It was noted, however, that there was a momentum for the creation of a Pacific Community organization and Canada could not afford to stand aloof from this process.

PBEC had, since 1967, provided a forum for businessmen to discuss regional trade and economic issues and had held intensive discussions on the Pacific Community Concept. The Canadian PBEC Committee, which had been officially designated as an advisory body to the Government, would remain involved in discussions on possible Community institutions.