The commercial relationship between China and Canada, which includes of course trade, foreign direct investment, the movement of science and technology as well as the exchange of ideas, has been well set out by earlier speakers at this conference.

What I would like to do, therefore, is to change the focus somewhat and to broaden it. I would propose looking behind what we have heard at the sessions to date and as well as looking ahead. What can Canada and China do both together and with our other trading partners across the Pacific and elsewhere around the world?

The key objective underlying everything that we have talked about, and which has to be supported both in policy terms and in day-to-day operations by governments and international institutions around the world, is to maintain stability and predictability. Without it, business cannot operate for long, certainly not efficiently, effectively, or profitably. This is one of the very few, agreed-upon, yet fundamental, tasks and role of governments, and it is a key challenge for those countries with rapidly growing economies and large populations. In short, with size and success comes responsibility. This is a challenge that China and other dynamic emerging economies now have and will have increasingly in the future. It is one thing to meet one's current obligations, thereby helping maintain the system - one's negotiated commitments within the World Trade Organization (WTO), for example; quite another to show leadership and drive to help the world community as a whole to adopt to rapidly changing circumstances, and to help advance new issues that are not yet covered by mutually-agreed arrangements - this is an opportunity and a challenge for current leaders and even more for the next generation of leaders.

Further, governments can help ensure future prosperity by providing and encouraging a supportive business environment over time and by recognizing the needs of domestic consumers within as low an inflation environment as possible; as Japan and the so-called Asian "tigers" discovered in the 1970's and 1980's, sustained growth cannot be achieved through exports alone - - - in China's case, this will mean higher interest as well as higher exchange rates both to keep downward pressure on domestic prices and to encourage more Chinese investment abroad to work down that high USD $1.3 trillion of foreign reserves and to make it less expensive for Chinese firms to buy abroad productivity - enhancing goods and services abroad. China already has done great service to the world economy by helping national governments restrain inflation by producing and exporting low-cost goods. Indeed, for the first time in decades, perhaps for the first time in a century, the world economy has been growing year-after-year at a good pace without serious inflation.

This important contribution of China to a non-inflationary, growing world economy has another side of course: this is the necessary adjustment to the process of world-wide economic change that the rest of the world, both developed and developing, is going through, and will continue to go through, for decades. Most western economies are flexible and have well-functioning capital and labour markets; nevertheless, the inclusion into the world economy of millions of Chinese and other emerging economies' producers and consumers will affect each developed countries' social contract and ways of doing things - be it research, development, commercialization of innovation, production, sales, distribution, or after-sale service. And for the least-developed countries, with less well-developed capital and labour markets, the adjustment process caused by the global shift of economic power will be even harder. Societies can only tolerate so much change at a time - emerging economies, especially large ones like China, will have to be sensitive to this and design their policies and operations with this in mind.

Let me now turn to two specific matters: trade and investment.

We have heard a lot about trade deficits and trade prospects throughout this conference from a bilateral Canada-China perspective. Surpluses and deficits between countries, however, are not a problem nor a sign of a problem but rather are the normal outcome of multilateral trade. As our textbooks tell us - and here theory clearly reflects reality - competitive advantage dictates with which countries such as Canada or China will have surpluses with and with which countries around the world we will have deficits. In the case of Canada-China trade, for example, one should note that since 2/3 of China's exports consist of imports, Canada's deficit with China is actually a complex mix of deficits with Japan and other countries which use China as a final assembly point for products to be shipped to North America. Indeed, looking carefully at what the structures of both Canada's and China's economies actually are, we Canadians are doing rather well bilaterally; China has the most complementary pattern of trade specialization to Canada of any major trading nation; indeed, given differences in economic size and in distance, trade between our two countries is about where we economists would expect it to be. This is not to say that we cannot do better as the newly-released Canadian Global Commerce Strategy suggests, but let us be clear: the European Union at present is causing more trouble for us in the US market, than is China.

Finally, let me speak to foreign direct investment (FDI). Historically, both in theory and in practice, the movement of capital was assumed to include capital privately and primarily individually owned; with the ownership of often very large amounts of capital now in the hands of, or controlled by, the state, the context, and thus the appropriate policy relating to foreign direct investment, becomes an issue - if the foreign direct investment from any source is a full-fledged commercial operation operating on a commercial basis that is if the capital is owned or controlled by a state-controlled investor, there is no problem, regardless of who the ultimate beneficial owner of the company is; if not, we are in a new context that China and the Gulf states in particular will have to take into account.

There is a lot that China and Canada have done together in the past and can do together in the future; there are great opportunities ahead in areas such as energy, climate change, infrastructure, migration, disease control, technology and management. We have shown for about forty years now that we can work together positively. We should be able to continue to do so, always respecting our differences but accepting and taking into account our mutual interests.

Thank you.