

B.C. needs to make trade Asia-Pacific region a priority

BY ROSALIE L. TUNG
SPECIAL TO THE VANCOUVER SUN

Canada has long been dependent on trade with the U.S. The way to sustained growth is through a more diversified trading base and closer economic and cultural ties with Asia-Pacific countries such as China, India, Japan, South Korea, the ASEAN countries, and Pakistan.

Despite a relatively long-standing political and economic relationship with several Asia-Pacific countries, Canada's exports and investment with these markets, in the context of its overall trade and investment activities, has actually decreased over time. More specifically, Canada's exports to the region as a percentage of total global exports have declined from almost 10 per cent in 1984 to its current level of under six per cent. This may in part be explained by NAFTA. Since Canada signed on to the agreement in 1991, its trade orientation has shifted to the U.S. (although recently there has been some reversal of this trend). In 2007, for example, 79 per cent of Canada's merchandise exports went to the U.S., and 54 per cent of imports came from the U.S.

B.C. has a more diversified trade profile than does the rest of the country, with a higher percentage of exports and imports focused on the Asia-Pacific region, due mainly to the province's geographic position and a larger concentration of immigrants from Asia. Given B.C.'s more diversified trade profile, the province is poised to take the lead in the Pacific Gateway strategy, which should better position B.C. and Canada to capitalize on the commercial opportunities that will arise from future economic growth in the AP region. These are the

opportunities for B.C. in regards to the rise of Asian economies:

- Partake more fully in the fruits of rapid economic development in many Asia-Pacific economies.
- Reduce Canada's over-reliance on the U.S. for its overall economic health;
- Tap into the social capital that accrues from immigrants, foreign students and tourists from Asia.
- Rejuvenate Canada's population and labour force through inflows of young and well-educated/technically skilled immigrants to help counteract Canada's and B.C.'s aging and slowly growing workforce.
- Benefit from ongoing regional economic integration within the Asia-Pacific region by positioning B.C. firms to service the regional supply chains.
- Capitalize on the economic rise of China and India, in particular.

The following are challenges for B.C. in terms of strengthening commercial linkages with Asia-Pacific markets:

- Lack of knowledge, understanding and/or misinformation in Canada about the region, which includes the tendency for Canada to disaggregate itself from the economic fortunes of the AP; the perception that Canada already has extensive commercial engagement in Asia; the inability of Canadians to separate actions of the Chinese government from those of Chinese companies; and the tendency to lump, and hence treat, Asia-Pacific countries as a monolithic whole.
- A perception by Asia-Pacific countries that Canada does not provide a favourable environment for doing business.
- Various issues in Asia that can hinder the growth of commerce, such as underdevelopment, economic hardship

caused or exacerbated by the current economic crisis, as well as destabilizing social issues and security concerns that may add to the challenge of doing business in the region.

- Complaints from foreign investors about aspects of doing business in some Asia-Pacific countries — for example, corruption, lack of transparency, inefficient government bureaucracy, inadequate infrastructure, shortages of human capital, poor corporate governance, and political instability.
- Regional integration — trade creation versus traded diversion. Trade agreements like NAFTA do have the potential to create trade among the countries involved, at the expense of diverting trade from other existing or potential partners.
- Tensions among some nations in the Asia-Pacific region — such as China's insistence that Taiwan is a province of China, and boundary disputes over Kashmir between India and Pakistan — that could potentially de-stabilize the region and the world.

Despite the current global economic downturn, the prospects for continued economic growth and development are quite positive for most Asia-Pacific economies. Even now, both India and China continue to grow at impressive rates, albeit more slowly than in 2007. Whether the rest of the world is willing to accept it or not, the fact remains that China and India, in particular, rank as increasingly important global economic heavyweights.

Canada will benefit from diversifying its commercial relationships, perhaps

by pursuing a “U.S. plus one or two” strategy. Thus, the Pacific Gateway strategy is a step in the right direction. By virtue of its geographic location and high concentration of immigrants from Asia, B.C. is well-positioned to take the lead in showing Canada that fostering a more diversified trading base is the way to sustained growth. The province should aim to expand exports to the region beyond the present share of 25 per cent. In addition, B.C. should continue to tap into the goodwill that accrues from the social capital associated with the province's large and expanding pool of Asian immigrants as a way to forge stronger commercial linkages with the region.

The following are specific recommendations in five priority areas for B.C.'s “2020 Goal for the Pacific Century”:

- Establish B.C.'s identity as Canada's Pacific Gateway.
- Support the development and expansion of world-class infrastructure and supply chains.
- Promote and strengthening trade and investment ties with the Asia-Pacific region.
- Become the “destination of choice for Asia-Pacific education, tourism and other culturally related events and activities.
- Upgrade the skills and competencies of B.C.'s labour force to meet the needs of the Pacific Century.

Rosalie Tung is a professor of International Business at Simon Fraser University. This article is a summary of her paper that will be presented at this week's B.C. Business Council Summit in Vancouver.

ROSALIE TUNG'S FULL B.C. BUSINESS COUNCIL SUMMIT PAPER CAN BE READ AT VANCOUVERSUN.COM/BUSINESS