

ASIA-PACIFIC AND US



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Not a bridge too far

Canada must pay more than lip service to deepening Asian ties – it’s no longer an option but an imperative, warns **Yuen Pau Woo**

A significant majority of Canadians believe that 10 years from now, China’s influence will exceed that of the United States. This finding, from the Asia Pacific Foundation of Canada’s recent national poll of Canadian views on Asia, is remarkable not only for what it says about perceptions of a global power shift, but also because the same poll suggests that Canadians are not yet willing to embrace and adapt to a world where Asia’s importance will be more pronounced. The time has come for decisive action by government, business and community leaders to establish Canada firmly as a member of the Asia-Pacific region. Closer ties are not an option but an imperative.

Fewer than 30 per cent of Canadians agree with the statement “Canada is part of the Asia-Pacific region.” That would mean at least seven in 10 Canadians don’t think much of the fact that this country borders the Pacific Ocean, which has been transited by people and trade for more than 150 years. Canadians also place relatively low importance on teaching about Asia and its languages in schools. They would welcome investment by state-owned corporations from Britain and the United States, but not by similar entities from China and Singapore. Astonishingly, Canadians view Chinese manufactured goods to be of inferior quality to those from other developing countries.

A strong majority of Canadians believe their country needs to diversify its economic ties away from the United States, and that Asia is the most promising alternative for new trade and investment relationships. But Canadians have not yet come to terms with what it means to build deep and long-term ties with Asian countries. There is a presumption that we can simply redirect to Asia what we currently sell to the United States, investing in education about the his-

tory, culture, politics, norms and languages of the region. It may be true in the commodities trade, but natural resource exports alone will not generate the productivity growth for Canada to be competitive in the world economy. Selling high-value products and services to Asian markets requires the same deep knowledge and familiarity that Canadian companies have developed in exporting to the United States.

Which is why, even as Canada emerges from the global recession in better shape than most OECD countries, our economic challenge is more daunting than meets the eye. We are being lulled into complacency because of our relatively strong fiscal position, high commodity prices and stable financial system – all of which are translating into a stronger currency. Booming exports to Asia are seen as proof of trade diversification, even though much of the increase is due to higher commodity prices. In fact, Canada has shed market share in many Asian countries and is behind countries such as Australia in attracting investment from Chinese enterprises.

In this context, Prime Minister Stephen Harper’s recent trips to Asia are critical, not just because he made the obligatory visits to New Delhi and Beijing, but more so because he has come to believe that “while Canada’s economy was built through trans-Atlantic trade, our future prosperity will increasingly depend on our ties to the Pacific.”

That statement, at last year’s Asia-Pacific Economic Co-operation forum in Singapore, echoes those made by previous prime ministers. But this pronouncement is much more profound and urgent: Whereas former prime ministers could speak of Asia’s importance and get away with not doing much about it, today’s leaders do not have that luxury.

Canada, which has not invested in Asia-Pacific’s regional

architecture, runs the risk of being left out of new institutions. Ottawa turned down the opportunity to be a charter member of a Pacific-bridging free-trade agreement, the Trans-Pacific Partnership, which has expanded to eight countries and could form the nucleus of a much larger regional deal. We now want in, but the existing members aren’t sure they still want Canada as a member. Likewise, the influential East Asia Summit is talking about enlargement to include the United States and Russia – but not Canada.

The Prime Minister is also faced with a different kind of challenge. While there will be continued need for the traditional government tools of international trade and investment promotion and facilitation, the Canadian private sector is arguably better equipped to seek out opportunities in new markets than it was a decade ago. Team Canada missions are passé. The more urgent need is to build our capacity so the next generation of leaders has the skills, knowledge and instincts to work effectively in and with Asia. It is about investing in world-class expertise in this country and leveraging the human assets Canada already has – nearly four million Canadians of Asian ethnic origin and as many as 600,000 Canadians living in Asia.

The first three years of Mr. Harper’s government would have made him an unlikely candidate to make important breakthroughs in Asian relations. But he has come around, and is now thrust into a position where he could make not just some important breakthroughs, but perhaps the most critical one of all – helping Canadians see themselves as part of the Asia-Pacific region and establishing Canada as a bona fide member.

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