

The Asia Pacific Region

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The Asia Pacific region is composed of some of the fastest-growing, diverse markets in the world. As democracy, capitalism and entrepreneurship gain strongholds in many of these developing markets, hundreds of millions of middle class consumers with disposable incomes and changing lifestyles are demanding a wide range of products and services and infrastructure, previously foreign to the region. Similarly, reductions in market barriers in developed economies and changing consumer tastes are fuelling demand for "western" goods and services. According to a Japanese manufacturer of home electronics, white goods (washing machines, refrigerators etc.) can be marketed in economies with per capita GDP of US\$1,000, and more expensive home electronics (colour TVs, stereos etc.) in economies with per capita GDP of US\$3,000 or over. This puts Malaysia and possibly Thailand in the colour TV category and Indonesia and the Philippines knocking at the door for white goods. Of course there are wealthier groups of consumers within every developing country and India is said to have a middle class numbering over 200 million people.

Many of the economies of Asia Pacific are undergoing profound social, economic and political changes. Incomes are rising, people are migrating to urban areas and travelling internationally. Economically, Asia Pacific is, and will continue to be, the fastest growing region in the world. A dramatic shift in the face of world trade will emerge as Asia Pacific increasingly becomes the most important focus of global commercial activity.

Average growth rates in the region will continue to be up to three times the OECD average and 400 million people will have OECD median incomes by 2000. In the longer term, it is forecast that the region will possess \$12 trillion in new purchasing power by 2010, and by the year 2020, 7 of the top 10 world economies are expected to be in Asia. Intra-Asian trade and competition will continue to grow. Japan is currently capturing the bulk of business in the region, but the impact of off-shore Chinese entrepreneurs will increase and their influence will not be limited to China⁸. Within the ASEAN region, Singapore and

Thailand will continue to position themselves as gateways for the supply of services and investment capital to China and other South East Asian markets like Vietnam. Japan will be the source of extensive investment and technology transfer throughout the region.

Canadian businesses are seizing opportunities in almost every sector throughout the region. In 1996, Canadian merchandise exports to Asia Pacific totalled more than \$24 billion, accounting for almost 9% of total exports (compared with 6% to Western Europe). Canada continues to be an important exporter of resources and a significant exporter of telecommunications equipment, software, executive jets and helicopters and, a wide variety of services like tourism, education and training as well as value-added merchandise trade. Other sectors of opportunity centre around infrastructure development particularly relating to telecommunications equipment and services, financial services, energy and transport.

However, the keys to business success in Asia are presence, persistence, patience and an understanding of local business practices, and Canada has a long way to go to catch up with the rest of the G7 countries and Australia, whose exports to Asia are far higher than Canada's. According to a recent study by the Asia Pacific Foundation of Canada¹⁴ only 600 Canadian-owned firms out of a total of 2.3 million Canadian companies maintain permanent staff in Asia. The study also points out that: "Our economic relations with some countries are long-standing...but nowhere in Asia are we a major economic presence..." Canada's strength in raw materials and components (which lack popular brand names or national identity) means "we are, in Asia, the Unknown Country."

To enhance Canadian business presence in the region, Canadian businesses must invest in the region either in terms of timely and regular visits, or through a more permanent presence, including joint-ventures and strategic alliances. To attract investment requires the same three "p's" and a determination to build deep relationships.

The Strategy

The objectives of the strategy, which follow