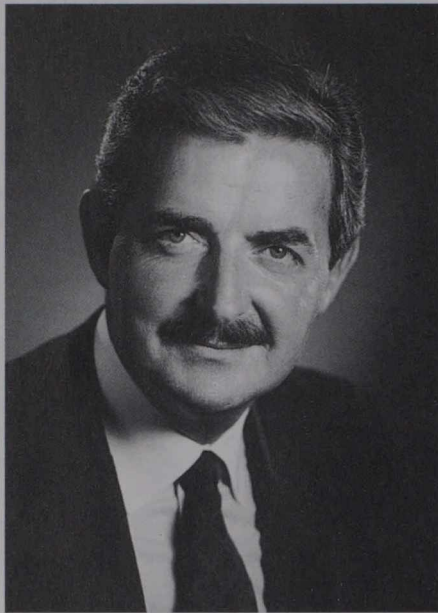


Chairman Matthew Barrett



by Mark Evans

The Bank of Montreal's commitment to Asia is evident by the fact chairman Matthew Barrett has visited the region four times in the past two years.

BMO, which has established a reputation serving the needs of small to medium-sized businesses, wants to play an active role in encouraging these firms to penetrate Asian markets, particularly China.

Barrett said many small to medium-sized businesses simply do not have the financial or manpower resources to reach opportunities in this part of the world and, as a result, often find it difficult to sell even top quality products.

This creates an opportunity for BMO, he said, to use its growing presence in Asia to gather information and resolve many of the problems these companies have been unable to overcome.

This mandate was one of the leading reasons BMO decided to co-sponsor "Profiting from Partnership", a three-day seminar from May 2 to 5. It was attended by leading Canadian and Hong Kong businessmen and senior Canadian government officials, including Governor General Ramon Hnatyshyn and the Minister of Agriculture and Agri-Food, the Honourable Ralph Goodale. "We were

attracted to this conference because it's an opportunity for small and medium-sized businesses to build networks and understand it over here," Barrett said.

To participate in Asia's rapid economic development, BMO hopes to expand its presence in Asia over the next decade.

In China, where BMO established a full correspondent banking relationship with the Bank of China's head office in 1963, it now has representative offices in Guangzhou and Beijing. It also has operations in Singapore, Seoul, Tokyo, Taipei, and Hong Kong.

To improve its coverage of the mainland market, BMO has applied to upgrade the office in Guangzhou to branch status and wants to open an office in Shanghai. Branches allow foreign banks to conduct business while a representative office can only fill a liaison role.

BMO has run into a roadblock in Shanghai, however, because China only allows branch offices from banks of the same country to open on a rotation basis.

Royal Bank of Canada is the only Canadian bank with an office in Shanghai and BMO may have to wait another year or two.

It is a situation that does not particularly please Barrett, who visited Hong Kong and China last October when BMO opened its office in Guangzhou.

"The world's 100 largest banks are pipelines into vast pools of capital and business and expertise and it is my opinion that it is in China's self interest to connect these 100 pipes," he said during an interview at the Conrad Hotel. "I would suggest and hope they would reconsider the country quota. For China to have quotas, as in Shanghai, you're not getting Canada's banks, you're just getting 20 per cent of them."

Barrett, one of Canada's most eloquent and respected business leaders, said BMO will also explore new types of strategic alliances with Chinese banks to access their local intelligence capabilities while providing them with North American products and expertise. "There could be joint ventures or agreements for reciprocal direction of

business," he said.

BMO makes no bones that fine-tuning its strategy for China will be a top priority for the next two years. However, Barrett said the bank is also aware there are promising opportunities in other parts of Southeast Asia that cannot be ignored. Among the countries of interest are Malaysia, Thailand, and Vietnam.

BMO's investment arm, Nesbitt Thomson, has also started looking at China as the country's capital markets develop. Barrett said if the bank's office in Guangzhou is upgraded, Nesbitt Thomson could establish a presence.

Interest in China's capital market has already seen major investment houses such as Morgan Stanley open an office in Shanghai and BMO could establish an important foothold if Nesbitt Thomson decides to start operations.

"China needs a massive and continual stream of foreign direct investment and foreign debt in order to fuel the expansion plans they have," Barrett said. "Capital markets and investment bank presence in China is absolutely essential to keep growth in line with expectations."

While it has become apparent that Canada's business community has become more active in Asia, Barrett said there is not enough being done. He points to the lack of Canadian participation in the construction of Hong Kong's new multi-billion dollar airport as evidence of this problem.

"I still think, frankly, if we're being honest with ourselves, we've come to the party a little late in contrast to the Americans, Europeans, and Japanese."

However, Barrett said there are encouraging signs that Canadian business has come to realize that to be successful against global competition it cannot hide behind protected markets.

What prompted this change in attitude? Barrett credits the North American Free Trade Agreement for providing Canada's business community with a much-needed wake-up call. "NAFTA represents a painful but necessary lesson." ♦