

Statement

Secretary of
State for
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Déclaration

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CHECK AGAINST DELIVERY

"ALBERTA TRADE OPPORTUNITIES IN ASIA"

NOTES FOR A SPEECH BY

THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS,

THE RIGHT HONOURABLE JOE CLARK,

AT A LUNCHEON HOSTED BY

CALGARY SOUTH ROTARY CLUB

CALGARY, ALBERTA

September 6, 1990.

I want to talk to you today about the extraordinary Alberta advantage in trade with Asia and the Pacific.

For decades, this country - along with much of the world - has been preoccupied with Europe. That is where we expected the next war to begin; where millions of East European and Soviet citizens - often relatives of Canadians - suffered under bankrupt economies and a repressive failed ideology. And that is where the families, the cultures, the traditions of many of us come from. Now, with the Berlin Wall gone, with Germany uniting, with a massive Common Market leading to even greater European unity, we are preoccupied with building a new peace, and being part of the European prosperity. Certainly, Canada has an immense and growing stake in Europe.

But that preoccupation diverted our attention from other regions and other problems - the threat to the environment, the crises of international development and debt, the challenge of trade, the tentacles of the international drug trade, the lethal growth of terrorism, and the proliferation of regional conflicts and weapons which we now confront in the Persian Gulf and elsewhere.

It has also overshadowed developments of historic proportions in the Asia Pacific region.

While the countries of Europe and North America were building their armies and their arguments, the countries of the Pacific were creating an economic miracle which knows no equal. And now there is a powerhouse in Asia - in fact, several powerhouses - which will affect our future in Alberta more than Europe will, perhaps more than the United States. Yet despite all the evidence, we have trouble getting our minds around the idea of Asia as a determining factor in our lives. Mr. Gorbachev, in his country, talks about the danger of old thinking, the imperative of new thinking. Ironically, that advice is even more important to rich countries, who might think that we have the luxury of ignoring new realities. If we Canadians want to control our destiny, we have to be much more open to Asia, much more active in Asia.

- Since 1970, Asia's share of global output has doubled.
- Since that same year, trade within the Pacific region has grown ten-fold.
- In 1970, trade between North America and the Pacific was \$20 billion. Now it is \$340 billion. By the year 2000, it could rise to \$1 trillion.

- And by then, the Pacific may well contain 60% of humanity, 40% of global consumption and an even larger share of global production.

Japan remains the dominant economic power in the region - and the economic superpower of the next century. That country is the world's largest creditor nation. The 21 largest financial institutions in the world are all Japanese. In high technology; in the automobile industry - once the proud flagship of the North American economy - Japan is in the lead. By the year 2000 - in ten short years - the GNP per capita of Japan will exceed Europe's.

But there is much more than Japan. Korea's economy is developing faster than Japan's. On a per capita basis, Hong Kong may soon be richer than Great Britain; Singapore richer than Italy. Taiwan alone has reserves of \$85 billion. Thailand and Malaysia are moving from annual growth rates of 7% to over 10% - defying confident economists who predicted that growth would flatten with increased wealth.

There is no disputing the basic fact: the centre of global economic activity is shifting towards the Pacific, and it is shifting fast.

That is of immense importance to Canada and to Alberta. In 1983, Canada started trading more across the Pacific than we did across the Atlantic. We expect our exports to the Pacific to grow by at least 50% over the next ten years.

Compared with other countries, Canada relies more on our economic relations with Japan and Korea, Hong Kong, Taiwan and Singapore, the so-called "Four Tigers" than does any other member of the 24 nation Organization for Economic Co-operation and Development. We depend on the Pacific more than United States does, more even than Australia does.

And it is Western Canada which depends the most on Asia. The four Western provinces account for about 3/4 of all Canadian exports to Korea and Japan and 90% of exports to China. B.C. - which shares a border with the United States - now trades more across the Pacific ocean than it does across that border. In sectors such as oil and natural gas technology, Alberta now trades more with the Pacific than it does with the United States.

A closer look at Alberta's trade picture reveals a dramatic story. Between 1982 and 1989, Alberta's trade with Europe and the USSR actually dropped at an average annual rate of 11.5%. Yet annual exports to the Asia Pacific region rose on average by 8.7%, more than to any other region.

Leaving aside the United States, the Pacific region is responsible for almost two-thirds of the wealth we in Alberta get from exports.

Those facts report a staggering new reality. But they also suggest some lessons. One of the most important lessons is this: although the United States remains by far the largest market for Alberta, today the greatest growth potential for Alberta exporters is not in the United States, but across the Pacific. That is already happening.

Over the past seven years, Alberta's trade with the Pacific has grown four times faster than our trade with the United States.

That means two things. First, the Free Trade Agreement is significant not simply because it secures Alberta's access to the U.S. market. It is equally important in strengthening Alberta so it can seek new markets across the ocean. And second, Alberta's future trade growth will depend on our success across the Pacific, not South of the border. Free trade is not the last word. It is the first step.

We used to associate the Pacific market with Japan. Certainly, Japan remains Alberta's most important customer in the Pacific. From 1982 to 1989, exports rose from \$667 million to over \$1 billion. But the rest of the Pacific is now open for business as never before.

In 1982, Taiwan was Alberta's 15th most important export market. It is now number 6. Korea, in 1982, was number 9. It is now number 3. And Indonesia, which was off our charts in 1982, is now Alberta's 10th most important export destination. In 1982, only four of Alberta's top ten export destinations were in Asia. Last year, Asia accounted for six of the top ten.

Trade is not the whole story. The same pattern is true with investment. In 1985, Asia Pacific investment in Canada amounted to \$2.6 billion. By 1989, that had risen to \$7.2 billion. According to a recent Conference Board study, there are 27 major ongoing Japanese investment projects in Alberta, with a total project capital of \$670 million. In 1988 alone, about \$2.5 billion in investment capital for Alberta was announced by Japanese investors. This included several pulp and paper projects, a pharmaceutical company and an oil and gas research project. A lot of that was due to Japanese investment missions which gave Canada very high marks for our economic, investment and other policies since 1984.

Obviously many Alberta enterprises are already successful in Asia, applying the skills and technologies they developed here.

Novacorp has been active throughout the region since the 1940s, and exports energy technology to fiercely competitive markets in South-East Asia. Alberta technologies allowed Novacorp to win a \$41 million contract for project management and consultancy for a major Malaysian natural gas project.

Weyerhaeuser's Pelican Mills in Drayton Valley successfully spent months convincing Japanese authorities of that company's ability to meet Japan's notoriously exacting standards. Their oriented strand board can now enter the Japanese market anywhere, having been stamped in Alberta as acceptable to the whole Japanese market. This will give Pelican Mills access to the booming Japanese residential market.

Alberta's expertise in remote sensing technology, such as that provided by Intera Technologies, has been of great interest to South East Asian clients. In Malaysia, and elsewhere, Alberta technology is being used in a range of application in forestry, agriculture, surveying and geology.

Willowglen Services has sold high technology data system to Singapore, and to China and is working hard in India, Pakistan and Bangladesh where Alberta's experience in water and sewage system controls offers great opportunities.

Sun Ice of Calgary is taking advantage of the booming Asian interest in winter sports and has signed licensing agreements with a Japanese company and opened an office in Hong Kong.

Even in the area of hi-tech sound technology, Alberta companies have won contracts in the land of Sony and Mitsubishi. Archer Communications of Calgary has signed a six-year agreement to develop custom computer chips to give Nintendo three-dimensional sound.

And Alberta food and food-processing and distribution expertise is winning new markets in Asia. There is an enormous market for Alberta beef - a \$3 billion one in Japan alone. Our Government helped open that market to Alberta, and the Canadian Beef Export Federation has now set up an office in Tokyo. They are expecting strong results. A subsidiary of Canada West will be introducing over 100 new Canadian food products to Malaysia beginning this week. Canada West's expertise in financing, shipping and retailing has already led to enormous success in New Zealand where the sale of its products makes New Zealand its largest single international customer.

These examples are far from all-inclusive. They demonstrate the astounding success and potential for Alberta companies, large and small, dealing with raw resources or finished products, or simple know-how.

That is the context. Those are the opportunities in Asia.

What do we do about it now?

Let me suggest three requirements.

First, we must understand the customer. Part of that understanding is language. Look at Japan, the economic superpower of the next century. Increasingly, Japan will expect those with whom they deal to respect more fully their culture, their customs, their language. They will expect us to adapt to them rather than them adjusting to us.

That is natural. It is inevitable. And Canada is not doing as well as we must. Canada has only 1200 full-time students of Japanese. Australia, with half our population, has over 15,000. The US has 140,000. Canada has a job to do. Increasing Canada's capacity in Asian languages is part of the Pacific 2000 strategy The Prime Minister announced last fall. I have launched major business language programs to be run by Simon Fraser University and the Ontario Centre for International Business, and which will lead to the establishment of regional centres for language training in Alberta and elsewhere. But the effort must be much broader than that. We must understand and respect the cultures of Asia. And we must do that abroad and at home.

Second, we can learn from Asia about working together in our own economy. Successful Pacific economies have established novel and productive pattern of cooperation between Governments and business. They provide new models to relate science to technology. They prove the advantage of non-adversarial approaches to management and organization. There is a degree of national consensus which can only offer lessons to governments and societies in the West.

The Canadian Government is playing an active role in Asia. That will increase. We have fifty-eight experienced Trade Commissioners in the region, and international Trade Centres in Calgary, Edmonton and other Canadian cities. Alberta business should consider these officials as an extension of your sales office. They are there to identify markets, point to decision makers, provide advice and support, and cut the red tape. If they are not doing that, let me know and I'll fix it. I urge you to use the services Canada provides to open new opportunities in Asia.

Those services include CIDA - the Canadian International Development Agency. NOVACORP credits CIDA with opening the door for its \$41 million Malaysian contract. Willowglen found its Singapore contract as part of a CIDA mission.

Many people think of CIDA's work as involving charity to poor countries. And a major purpose is to channel the compassion of Canadians in helping other countries help themselves. But there is another aspect. That is to develop a market for Canadian goods and services. Poor countries can't buy things. Developed countries can, and are often inclined to work with nations who help them out of poverty. That is one of the reasons a Canadian Passport is so valuable in this changing world.

Take two examples - Thailand and India. In the 1950s, Canada was an active aid donor to Thailand, then a poor under-developed society, torn by war in Indochina. In 1979, we led the world in helping the boat people. Those compassionate actions led to a strong trade relationship. Canadian trade with Thailand went from \$150 million nine years ago to \$765 million last year. In 1982, Thailand was 60th on Alberta's list of export destinations. It is now 18th, and rising. Official Development Assistance opened that door. Today CIDA helps India. In 1989, Alberta's exports to India were valued at over \$53 million, up sixty per cent from 1982. But by the year 2005, there will be 250 million middle-class consumers in India - larger than the current population of the United States.

The third requirement is to look ahead - to the new markets in that rapidly changing world.

No one can predict precisely what new opportunities might exist in Asia for Alberta entrepreneurs. But we can certainly identify areas where Asia's needs match Alberta's abilities, and I hope many more Albertans will take a hard look at the new opportunities being created across the Pacific.

For example, there is a remarkable change within Japan, which is moving from being an export-led economy to being a domestic demand-led economy. In fact, Japan is in the process of creating a consumer society. The expansion of housing starts, of leisure activities and of consumer imports indicate where the future market will be: in clothing, in beef and processed foods, in recreational equipment, in lumber and related industries, and in tourism.

That spells opportunity for Alberta. Along with lumber we must sell windows and doors for new Asian houses; along with wheat, we must sell beef and processed foods; and along with coal, we must sell the more sophisticated products the expanded economies of the Pacific will be demanding in the future. Value added products create more jobs and more profits for Albertans. It is here where growth potential in the Pacific is greatest, and it is here where the Alberta economy must diversify if it is to thrive into the next century.

There is another change in the Pacific, full of opportunities for Alberta. That is the trend towards urbanization evident throughout the Pacific. It will lead to strong demand for urban transportation systems, water treatment facilities, electric power systems, health care services, telephone grids, recycling technology, building components - and the services and expertise required to make all that work.

The thrust towards urbanization will also have an enormous impact on the agricultural sector. With a greater proportion of every country's population moving to the cities, there will be a skyrocketing demand for more mechanized, more automated and more efficient agriculture. That will lead not only to a market for agricultural equipment, but also a market for agricultural services such as animal and plant genetics, satellite and remote sensing for crop management, fertilizer systems, and storage and distribution systems for agricultural produce. Alberta is at the forefront of all these sectors.

Urbanization also means energy: energy distribution, energy technology, energy systems management. Let's look at the next decade of the Pacific energy market:

- Indonesia plans to double its natural gas exports to other Pacific destinations within the next 10 years.
- Hong Kong is expected to import half a million tons of natural gas by the year 2000.
- The urban consumers of Japan, Korea and Taiwan will require 60 million tons of natural gas by the end of the decade.
- Malaysia, which has gas reserves rivalling that of Alberta, is expected to rely on natural gas for over 40% of its energy within two years.
- Pakistan is investing millions in oil and gas exploration, production and processing.
- And Thailand, which is just beginning its oil and gas exploration efforts, reports finds of global rank and will confront an overwhelming need for that fuel as the populations of Bangkok and other major cities explode.

This is a market made for Alberta. For a province which has built and managed some of the largest gas pipelines in the world.

For a province which has been a pioneer in the extraction of sulphur from natural gas and which is now the world's leading exporter. And for a province which is probably the only jurisdiction in the world which utilizes natural gas for some 90% of its residential, commercial and industrial requirements. The Pacific future for Novacorp, TransCanada Pipelines, Husky, Asamera, Challenger Drilling and many others couldn't be brighter.

Let me draw out of this some clear messages.

Message 1. Future success abroad will depend increasingly on success beyond the North American continent. Trade with United States will continue to be the foundation of the Alberta economy. But trade with the Pacific will provide the leading edge for growth.

Message 2. Successful modern economies are all based on competition, but that competition is most fruitful if exercised in an environment where all players co-operate to meet a common challenge. Trade is such a common challenge. In the Pacific, perhaps more than any region, industry, unions, universities and governments at all levels must work very closely together.

Message 3. There is no substitute for getting to know your customer. The history of Alberta-Pacific business is a history of persistence and of knowledge - knowledge of languages, of customs, of people and of particular markets.

Message 4. Use the government. Exploit it. Demand its services. I invite you to treat our embassies as your corporate offices, and look at my Department and CIDA as resources which help you bring jobs to Alberta.

Message 5. It is clear that Asia is full of opportunity for Albertans, in fields we can identify. The question is whether or not Albertans will reach beyond their traditional focus on North America and Europe.

Message 6. Foreign policy is not foreign anymore. Obviously, the invasion of Kuwait has an immediate impact on Calgary, but so does the opening of a Beef Export Office in Tokyo, or a successful CIDA mission to South East Asia, or the new initiative Canada is taking on security and economic cooperation in Asia-Pacific.

Message 7. Often Canadian business thinks it should be concerned with success abroad only after it is successful at home. In the 1990s, this will be less and less the case. Increasingly, Alberta business will be successful at home only if it is successful abroad.

The challenge of the Pacific is a challenge made for Albertans. Albertans have the drive, the persistence, the natural resources, the assets of innovation and expertise, and a track-record of success with Pacific trade. If Alberta is successful in the Pacific, it will be successful everywhere. But for that to happen, more Albertans must understand the stakes we have in Asia and the Pacific, and the extraordinary opportunities that lie across Canada's Western ocean.