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THE ASIA FACTOR
LE FACTEUR ASIE

THE ASIA FACTOR IN ATLANTIC CANADA PROJECT SUMMARY REPORT

Asia Pacific Foundation of Canada
2016

MESSAGE FROM THE PRESIDENT

In the coming decades, we will see the global political and economic fulcrum shift from the West to the Asia Pacific. Atlantic Canada will not be immune to this rebalancing. Atlantic businesses and residents will see significant benefits and growth from further focusing the region's international trade relations toward the Asia Pacific.

The Asia Pacific Foundation of Canada (APF Canada) is well positioned to help Atlantic Canada navigate the challenges of engaging with this often-unfamiliar part of the world. APF Canada's project, The Asia Factor in Atlantic Canada, represents one component of a larger conversation on how to engage with the Asia Pacific, a conversation that we believe must continue for the future prosperity of Atlantic Canadians. Specifically, we hope that this report and other project outcomes help the region in identifying the vast Asia-related market opportunities, associated challenges, and feasible, timely, and measurable solutions for moving forward.

Ultimately, it is stakeholders in Atlantic Canada who will have to make the decision as to how best to engage with the opportunities in Asia. We hope that Atlantic Canadians, their industries, and their governments will continue to look to APF Canada as a source of information on the growing importance of Asia. Together, we will find innovative solutions for Atlantic Canada to successfully engage with the Asia Pacific.



Stewart Beck

President and CEO
Asia Pacific Foundation of Canada

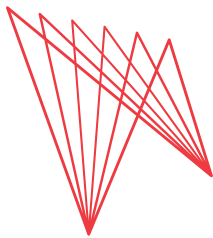
ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

APF Canada is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be **Canada's catalyst for engagement with Asia and Asia's bridge to Canada.**

A leader in research and analysis on Canada-Asia relations for over 30 years, APF Canada partners with government, business leaders, academics, and opinion makers in Canada and across the Asia Pacific region to offer clear, specific, and actionable policy advice.

Established by an Act of Parliament in 1984, APF Canada's thematic priorities include: promoting trade, investment, and innovation; mobilizing energy assets; building skills and competencies; and understanding Asia now.

Visit APF Canada at www.asiapacific.ca.



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EXECUTIVE SUMMARY

The Asia Pacific is in the midst of internal transitions that will see the region become an increasingly significant player on the global economic and political stage. Asia's prominence in a multipolar world will continue to rise over the decades to come. Atlantic Canada business and trade strategies will be under pressure to accommodate the growing economic and political weight of Asia.

The analysis of the Asia Factor in Atlantic Canada project suggests that considering the following actions could help grow Atlantic Canada's business presence within Asian markets:

- Further developing Atlantic Canada's gateways and corridors, and transforming Canada into a gateway economy connecting Asia to North America, Latin America, and Europe;
- Supporting a single Canadian brand as a way to co-ordinate trade promotion activities across sectors;
- Helping businesses better leverage the Trade Commissioner Service in Asia;
- Working with business associations in key sectors to improve use of government visits and trade missions for promoting Atlantic businesses;
- Convening workshops in Atlantic Canada that bring together successful companies to mentor new companies interested in and capable of engaging Asian markets;
- Actively supporting the development in the Atlantic provinces of a better understanding of Asia, also known as "Asia competency";
- Supporting a small and medium enterprise travel fund to sustain multiple visits to Asia;
- Setting up Asia-entry marketing competitions that pair groups of Asia-competent students with local businesses; and
- Supporting proactive measures for encouraging a broader understanding of the Trans-Pacific Partnership for Atlantic Canada.

The immense potential of Asian markets is alluring, but they are half a world away and Atlantic Canada needs to be smart about how best to approach these opportunities. Fundamentally, this summary report argues that the Atlantic provinces could benefit from focusing on bringing Asia to Atlantic Canada, rather than taking Atlantic Canada to Asia. Also essential is increasing the awareness of Asia's growing importance within Atlantic Canada.

Atlantic Canadian resources cannot possibly help all the firms and sectors in the region engage with Asia simultaneously. Doing so would spread resources thin and not make significant inroads. Rather, the impact would be greater if the region's governments utilize a targeted sequenced approach that prioritizes a small number of firms and/or two to four sectors at a time for several years, before moving onto other firms and/or sectors.

1. INTRODUCTION

The objective of the Asia Factor in Atlantic Canada project is to assist the region in better responding to Asia's rising global economic importance by providing critical information on the opportunities and challenges for Atlantic Canadian business and trade with Asia.¹ This project represents the Atlantic side of The Asia Factor, a nationwide, multi-year project launched in 2014 by the Asia Pacific Foundation of Canada (APF Canada) that examines the interaction of each province and territory with Asia. The Asia Factor provides comprehensive resources, information, and analysis on provincial-level Canada-Asia relations. For additional statistics and information on Atlantic Canada-Asia relations, visit www.TheAsiaFactor.ca.

The Asia Factor in Atlantic Canada project deliverables consists of:

- an interactive website that shows how Asia's impact on Canada differs for each province and territory (www.TheAsiaFactor.ca);
- an infographic booklet on Atlantic Canada's relations with Asia according to key indicators;
- blog posts;²
- a business consultation report;
- success stories;
- Atlantic Canada-Asia-focused market analyses for key sectors; and
- this summary report.

All deliverables are available in both official languages.

This summary report begins with an overview of the current and projected key trends in Asia over the next 15 years and a synopsis of Atlantic Canada's current relations with Asia. Describing key drivers of change in the Asia Pacific and key components of why Asia has been moving from the periphery to the core of global economic and diplomatic relations is essential for analyzing Atlantic Canada's current and future prospects for increased engagement in the region. The few pages on the subject provide vital context for the remainder of the report.

The remaining pages summarize deliverables from the project starting with APF Canada's consultation with Atlantic Canadian businesses that have been engaged in or are looking to engage in Asian markets. Here we get a glimpse of how and why some small and medium enterprises (SME) first engaged with Asian markets and how they understand opportunities in the region. We also learn about some of their main challenges. We continue the report by narrowing in on four key sectors for Atlantic Canada's engagement with Asia: clean technology, aerospace and defence, ocean technology, and value-added agrifoods. The report concludes with suggestions of what governments (both federal and provincial) and businesses might consider to better engage with Asian markets.

2. OVERVIEW OF CHANGES IN ASIA AND THE CANADA-ASIA DYNAMIC

Asia Is Not a Monolith

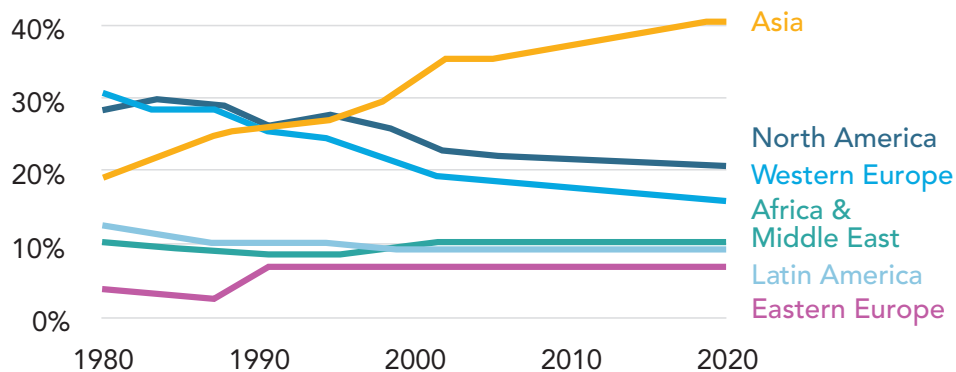
Asia is a diverse region of the world and it is returning to prominence on the global stage. The region’s approximately 50 economies are home to over half of the world’s population (4.4 billion) and one-third of the world’s living languages.³ When we view these economies together, we see notable regional and global trends that will have deep implications for Atlantic Canada’s future engagement with not only Asia but also its traditional trading partners. Atlantic Canada needs to pay particular attention to a series of key drivers of change in Asia and the Canada-Asia dynamic that will continue to shape future business transactions.

Asia Is Growing Fast

The first driver of change in Asia is substantial economic growth and intra-regional trade. In 2014, Asia’s diverse economies accounted for 37% of global gross domestic product (GDP) (up from 20% in 1980), higher than any other region of the world, followed by North America at just over 20%. Currently, 4 of the top 10 economies in the world (adjusted for GDP purchasing power parity) are from Asia. Asia’s GDP growth is forecast to hold near 5.5% for 2016—ahead of forecasts for North America (4.0%), Europe (2.1%), and the world (3.8%)—and remain around 5% for the next 15 years. Growth at this rate means that by 2030 Asia will account for nearly half of global GDP.⁴

Developed economies in the region (e.g., Japan, Singapore, and South Korea) have seen and will continue to see around 1% to 2% annual growth, and emerging and developing economies (e.g., China and India) will continue at a higher rate at around 4% to 7%.

SHARE OF WORLD GDP

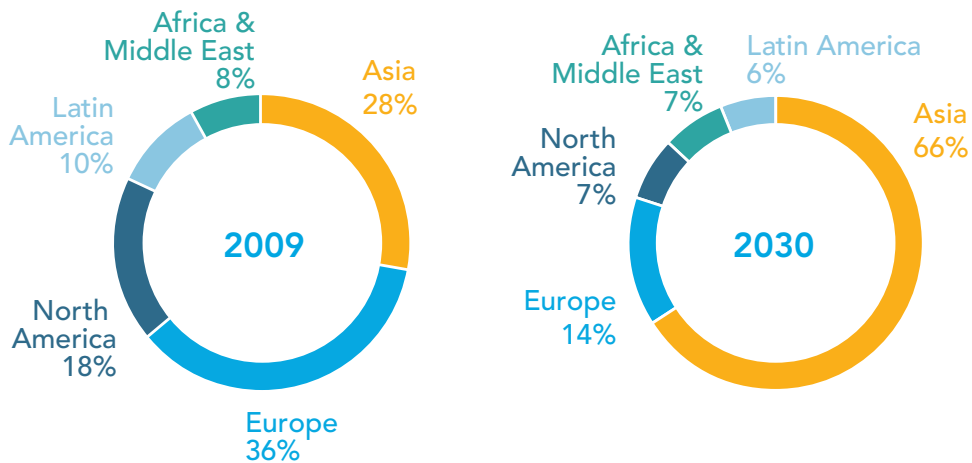


Source: Brookings Institution; The World Bank; International Money Fund
 Note: Figure is in purchasing power parity (PPP)

Asia Will Have 60% of the World's Middle Class by 2030

As GDP in Asia grows, so too will per-capita income, purchasing power, and standard of living. The World Bank predicts that by 2030 two-thirds of the world's middle class will be Asian, which will account for nearly 60% of the world's middle class goods and services consumption. Also by 2030, Asian countries will likely constitute 49% of the top 10 countries' middle class consumption, up from 12% in 2009.⁵

GLOBAL MIDDLE CLASS

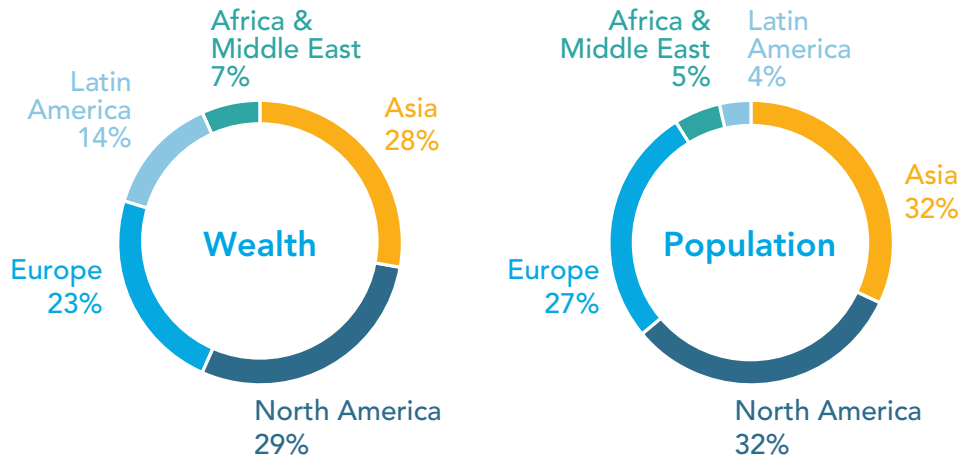


Source: Brookings Institution, The World Bank, International Money Fund
 Note: Figure is in purchasing power parity (PPP)

Fastest Growth of Millionaires

Still further, at 17.3% in 2013, Asia has the world's fastest growth of millionaires, so-called high-net-worth individuals (HNWIs). In 2014, the region surpassed the number of millionaires in North America with 4.69 million HNWIs. The same year, the total wealth of these people was valued at US\$15.82T, and it likely surpassed North America's millionaire wealth in 2015. Japan leads the region in both millionaire population and wealth, but Chinese millionaire wealth is approaching that of Japan despite having less than half the millionaire population of Japan. While Japanese and Chinese millionaires account for most of the region's millionaire wealth, in 2013 India had the highest rate of growth in the world for HNWI population (26.3%) and wealth (28.2%).⁶

HIGH-NET-WORTH INDIVIDUALS: POPULATION & WEALTH, 2014



Source: www.worldwealthreport.com

Asian Consumers May Become Canadian Clients

The trends in rising middle class numbers and subsequent purchasing power and the growth of millionaires and their wealth will shift a key source of demand in global growth from the West to Asia. As a corollary, regional and market-specific tastes, preferences, and needs for goods, services, and value-added items will increasingly shift. For example, as the middle class expands in Asia, so too will the purchase of consumer durables and goods, including value-added foods, and meat and seafood proteins from trusted source countries, which include Canada. The increase in discretionary spending will also extend to luxury items, many of which will be imported from abroad. A higher degree of disposable income in Asia will also lead to more population mobility and feed into the growth of intra-regional and international travel, demands for higher standards of living, competitive jobs, quality education, and tourist-friendly destinations, all of which will have an impact on Atlantic Canada. Understanding these trends and the differences between Western and Asian clients, consumers, and immigrants—and being able to act on them—is essential for maintaining and increasing Atlantic Canada-Asia relations.

Demographic Differences in Asia: Some Countries Aging, Others Have Youth Bulges

Asia is also undergoing major economic and societal transformations related to demographic patterns, the adoption of new lifestyles and consumption patterns, and the movement of large numbers of people within and between countries. By 2030, an estimated 4.9 billion people will be living in the Asia Pacific.⁷ Within these populations we see two contrasting trends. Developed economies (Hong Kong, Japan, Singapore, South Korea, and Taiwan) are beginning to cope with aging populations.

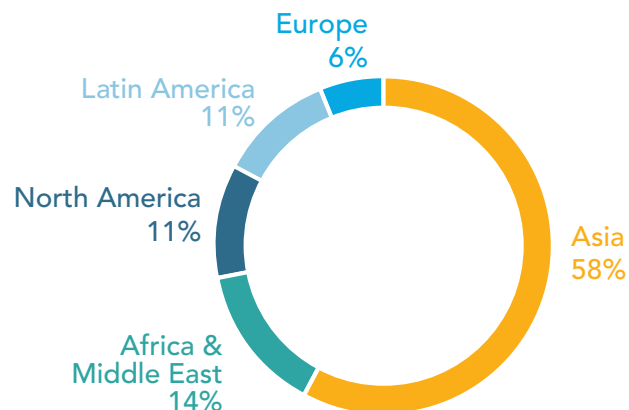
In the next 15 years, the elderly population in these economies will increase 72% to 565 million people. Meanwhile, a number of emerging and developing economies (India, Indonesia, Malaysia, Pakistan, and the Philippines) are experiencing a youth bulge. China represents a blend of these two trends, with further divergence within the country between the rich coastal regions and the country's less globally integrated interior.

These trends open up all sorts of opportunities from health-care services and products for aging populations, to educational and training programs and jobs for Asian youth. Atlantic Canada-based education, co-operative programs, and jobs offer possibilities for youth who can travel abroad.

Galloping Urbanization

Alongside changing demographic profiles and socio-economic trends, several Asian countries are undergoing rapid, large-scale urbanization. By 2030, an estimated 54% of Asia's total population will be living in cities, up from 37.5% in the early 2000s. Approximately 60% of China's and Indonesia's populations will be city dwellers within the next 15 years. India will see its urban population more than double from 2008 to 2030 (250 million to 590 million). In 2014, Asia was home to the world's fastest-growing cities; over half of the world's cities with populations of over five million people were located in Asia, while Canada was home to one—Toronto. This trend will continue for the foreseeable future. As a corollary, countries subject to mass urbanization and megacity growth will require significant large-scale investment in transportation, housing, utilities, and telecommunication infrastructure.⁸

PROJECTED 2030 DISTRIBUTION OF CITIES WITH POPULATIONS OVER FIVE MILLION

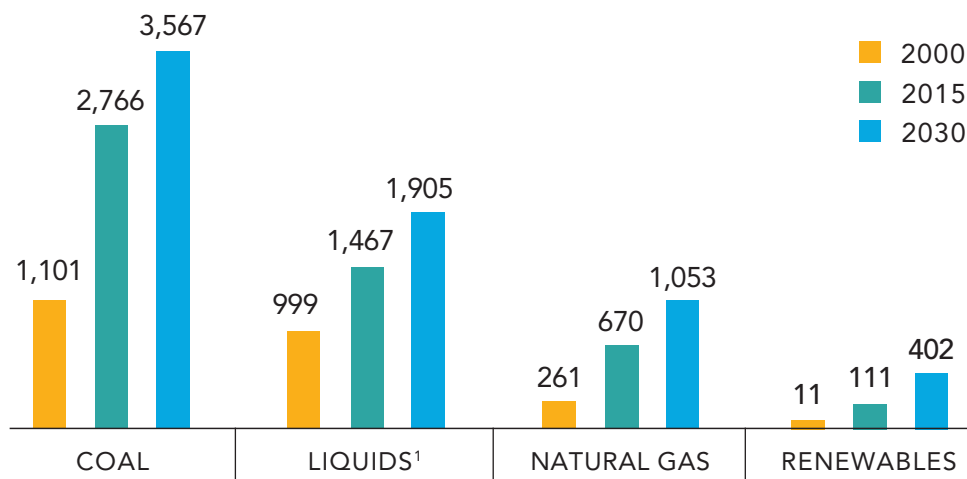


Source: World Urbanization Prospects: The 2014 Revision; and Demographia World Urban Areas Population Projections 2010

Energy and Environment

The next driver of change is energy and the environment. Energy consumption has long since outpaced energy production in Asia’s developed economies, and this trend is spreading to the region’s emerging and developing economies. Overall in 2015, the rate of self-sufficiency in fossil fuel energy peaked in the Asia Pacific and the scales have begun to tip, with countries formerly self-sufficient in energy becoming net energy importers. Within 20 years, Asia is expected to use half of the world’s energy, although it will produce less than half of its needs. By 2035, two-thirds of the energy consumption will come from fossil fuels. Renewables will continue to experience high annual growth, which will be led by China’s investments and policies, but they will only make up a small percentage of the region’s overall energy requirements.⁹

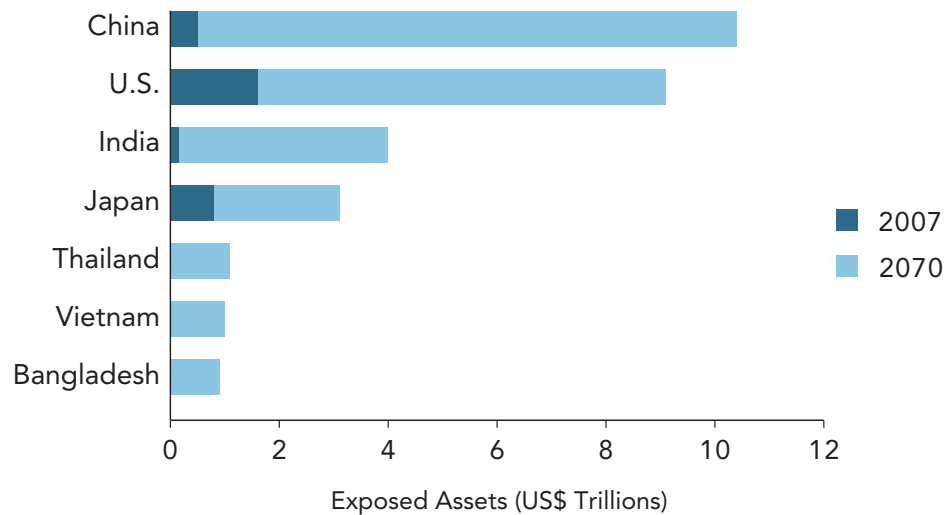
ENERGY CONSUMPTION IN ASIA PACIFIC, BY FUEL



Source: BP, Energy Outlook 2035
 Note: Values are in million tonnes oil equivalent
 1. Includes oil, biofuels, gas-to-liquids and coal-to-liquids

The growth of energy and consumer demand, urbanization, and industry in Asia is contributing to rising carbon dioxide emissions and other pollution-related issues. China alone saw a 75% increase in CO₂ emissions between 2004 and 2012.¹⁰ The Asia Pacific will be disproportionately affected by climate change, including rising sea levels and more severe and frequent storms. Many areas in Asia face pollution and water security issues, and coastal areas and islands throughout the region will need to plan for complete or partial sea water submersion.¹¹ Asian economies have begun to increase investments in clean technology, from industrial and extractive processes to water and wastewater, and from renewables to energy efficiency to address these issues. Atlantic Canadian energy, clean technology, and oil and gas companies offer products and services that could meet these demands.

TOP COUNTRIES (BY ASSETS) EXPOSED TO CLIMATE CHANGE



Source: Architecture 2030

Asia Will Fuel Global Technology and Innovation

Not only will Asia lead the world in economic growth, population and urbanization figures, and energy consumption, it will also fuel global technology and innovation. In 2015, 9 Asian economies ranked in the top 50 of the world's most innovative countries; South Korea, Japan and Singapore were in the top 10. Within this breakdown, Asia particularly shines in its rankings related to high-tech companies and patents (5 and 4 economies in the top 10, respectively).¹² In 2013, Asia accounted for over half of patent applications globally.¹³ Asia is home to some of the world's largest startup and venture capitalist markets. In 2015, about 47% of the world's Internet users were from Asia, and the region led the world in mobile data and Internet traffic, nearly doubling traffic of North America, and will continue to see strong growth.¹⁴ By 2020, there will be about three billion smartphone subscribers in the region. Expanding access to the Internet and mobile phones is contributing to a rapid expansion of electronic and mobile commerce markets. Many Asian economies, such as China, Japan, and South Korea, are global leaders in these markets. Southeast Asian e-markets are significantly smaller in dollar value to those in Northeast Asia, but it is the world's fastest-growing e-market (its 2018 predicted value of US\$34.5B is nearly five times the 2013 value).¹⁵

Asia Is Only a Click Away

These trends will transform a wide variety of sectors, from financial services and health care to manufacturing and education. They will offer opportunities for Atlantic Canadian innovators looking for capital, and for investors looking for cutting-edge startups and markets for new products. It will change the way business is done within and outside of Asia, and will open exciting avenues for Atlantic Canadian companies to pursue. Developments in information technology are significantly shrinking the

substantial physical distance between Atlantic Canada and Asia. Asia is no longer defined only as a continent by its geographic location half a world away; it is at our doorstep with a click of a button, and vice versa.

Asian Intra-Regional Trade and Canada's Trade Ecosystem in Asia

Asian countries have been actively facilitating intra-regional trade. The 10 economies that comprise the Association of Southeast Asian Nations (ASEAN) hope to support their growth by working toward a highly competitive single market and production base. The ASEAN Economic Community has a combined GDP of nearly US\$3T and represents over 600 million consumers. The Regional Comprehensive Economic Partnership members consist of ASEAN, China, Japan, Korea, India, Australia, and New Zealand, and represent 29% of world GDP and 30% of world trade.

On October 5, 2015, negotiations on the Trans-Pacific Partnership (TPP) were concluded. The TPP represents a combined market of nearly 800 million people and a GDP of US\$28.5T, or nearly 40% of global GDP. Canada will gain significant access to Japan through the deal, and Canadian ports are well positioned to take advantage of this.¹⁶ The TPP will shape future trade in the Asia Pacific for years to come. That being said, the TPP (if Canada ratifies it) along with other trade and investment agreements should be viewed as tools that governments, businesses, and civil society can utilize to enhance trade relations with the Asia Pacific. The onus is on governments to ensure its constituents are aware of how to best utilize such agreements, and on businesses to seize the market opportunities and deliver growth possibilities.

Rebalancing Canada's Trade

The growth of Asia has been reflected in the change in the pattern of Canada's trade with its international partners. This has resulted in a rebalancing of Canada's trade share away from the United States and toward Asia—especially for Canada's exports in merchandise. This should not be interpreted as our value of U.S. exports decreasing—in fact, it has been generally increasing over time—but should be viewed as our exports to Asia growing more rapidly than our exports to the United States.

In 2000, 86.9% of our exports in merchandise were bound for the United States, but in 2014 the U.S. share of our exports dropped to 76.8%. The share of exports in merchandise to Asian economies has taken up the majority of the United States' diminishing share. Between 2000 and 2014 merchandise exports to Asia grew 136.8%, compared to 12.5% to the U.S. Meanwhile, over the same period, service exports to Asia grew by 78.7% compared to 43.7% to the U.S.

In 2004, the total shares of Canada's merchandise exports to and imports from Asian economies were 5.1% and 13.9%, respectively. In 2014, the total share rose to 9.7% for exports and 19.9% for imports. That being said, Canada's share of key Asian economies' (China, Hong Kong, India, Indonesia, Japan, South Korea, and Taiwan) imports and exports have shrunk from 1.02% and 1.11% in 2005 to 0.98% and 0.96% in 2014, respectively.¹⁷ In short, while Canadian exports to and imports from Asia have significantly grown since the early 2000s, their importance in Asia has been diminishing over the same period (Atlantic Canada data is presented in section 3).

Canada Is Falling Behind its Competitors

In addition to the TPP, Canada currently has one free trade agreement in force in Asia (South Korea), three in negotiation (India, Japan, and Singapore), and two in exploratory discussions (the Philippines and Thailand). It also has three Foreign Investment Promotion and Protection Agreements in force (China, the Philippines, and Thailand), two concluded (Hong Kong and India), and four under negotiation (Indonesia, Mongolia, Pakistan, and Vietnam).

Compared to our friendly competitors, including Australia, Canada's engagement with the Asia Pacific is lacking in terms of free trade agreements, bilateral investment treaties, and trade promotion resources. Canada is often a few steps behind our competitors in these aspects of trade facilitation. This partially explains why our market share in Asia's trade is decreasing. Leveraging Canada's strong people-to-people connections with Asia and increasing trade architecture are vital strategies in ameliorating Canada's position in Asia's markets.

CANADIAN & AUSTRALIAN TRADE ARCHITECTURE IN THE ASIA PACIFIC

CANADA		AUSTRALIA
negotiating 3	FREE TRADE AGREEMENTS IN ASIA	4 negotiating
concluded 1		1 concluded
in force 1		8 in force
3	BILATERAL INVESTMENT TREATIES IN ASIA	10
China 14	TRADE COMMISSIONER OFFICES IN ASIA ¹	10 China
Japan 5		4 Japan
India 8		10 India
other 21		20 other

Source: Global Affairs Canada & Austrade

1. Excluding Australia; China refers to mainland China only

To keep pace with its competitors and trade liberalization in Asia, Canada needs to improve its trade architecture through bilateral and multilateral trade agreements and continually review and upgrade its trade-related services. Devoting more resources to promote Canada's presence in Asia could also help reduce burdens on Atlantic Canadian provincial resources. Finally, promoting non-trade architecture (i.e., twinning relationships, tourism, immigration, and international education) can add further value to the region's trade and investment objectives in Asia.

3. ATLANTIC CANADA AND ASIA

Atlantic Canada Risks Missing the Boat

It is critical for Atlantic Canada to follow and understand the “Asian shift,” and to base current and future government and business planning, policies, and actions on it. As it stands, Atlantic Canada depends on deep-rooted historical trade ties to Europe and, more importantly, to the United States. These strong trade relations will likely continue to dominate regional trade, business, and commerce. Nonetheless, Atlantic Canada risks missing out on opportunities. The region will benefit from diversifying markets, most of all to further include Asia—the main engine of global economic growth—and further streamline integration into Canadian business and transportation networks.

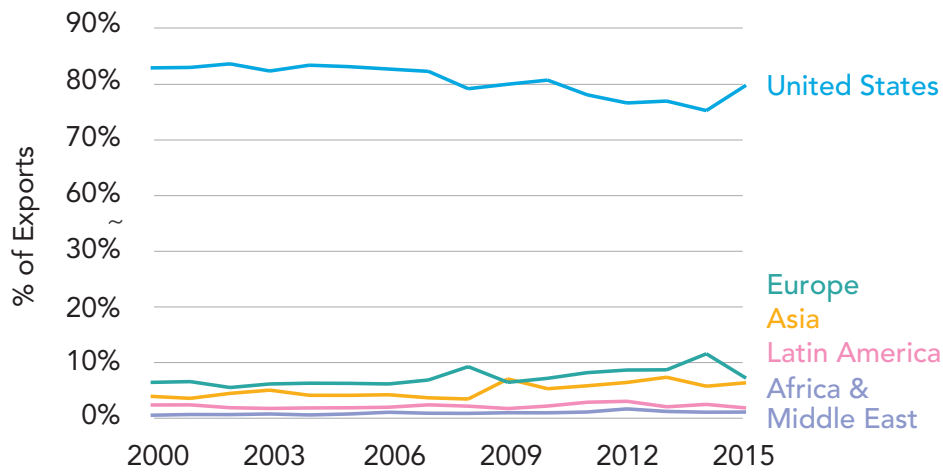
Close historical and geographical ties, while important for past market linkages, no longer play a crucial role in a world dominated by complex supply chains with regular international air and water shipping routes, and international immigration, cultural, and educational ties.

Atlantic Canada has begun to address these opportunities. For example, prior to the 2008 financial crisis, the region exported less than 5% of its products to Asia. Between 2007 and 2009, while the region’s exports to the United States and Europe both declined by more than 20%, exports to Asia grew by 60% and, in 2009, at a value of C\$2.1B, surpassed the value of exports to Europe.¹⁸

Between 2009 and 2015 exports to the U.S. continued to grow, and in 2014 rebounded to their 2007 numbers. Goods bound for Europe, on the other hand, have been more volatile, with significant fluctuations in growth and decline over the period.

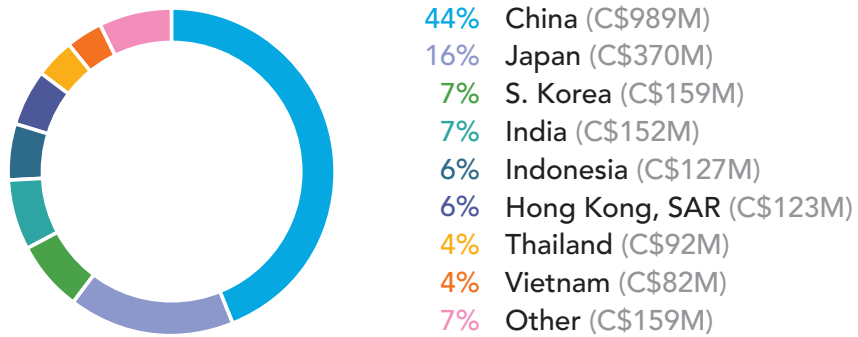
In 2015, Atlantic exports to Asia represented 8.1% of total Atlantic exports, compared to 10.5% nationally. From 2006 to 2015, compound annual growth of Atlantic exports to Asia was 5.2%, compared to 6.2% nationally over the same period.¹⁹

ATLANTIC CANADA: DESTINATIONS OF EXPORTS, 2000–2015



Source: Industry Canada

ATLANTIC CANADA: MAIN EXPORT PARTNERS IN ASIA, 2015



Source: Industry Canada

Newfoundland Exports Differently than the Maritime Provinces

Delving into the export data shows a varying picture across Atlantic provinces. When looking at the disaggregated export figures at the provincial level, the Maritime provinces have been exporting approximately as much to Asia as to Europe since 2009. Atlantic Canada’s aggregated export figures are skewed by Newfoundland’s exporting large amounts of minerals to Europe. The takeaway from the trade diversity within Atlantic Canada is that it remains important to view consolidated Atlantic Canada numbers together with provincial breakdowns when planning for future trade diversification and growth.

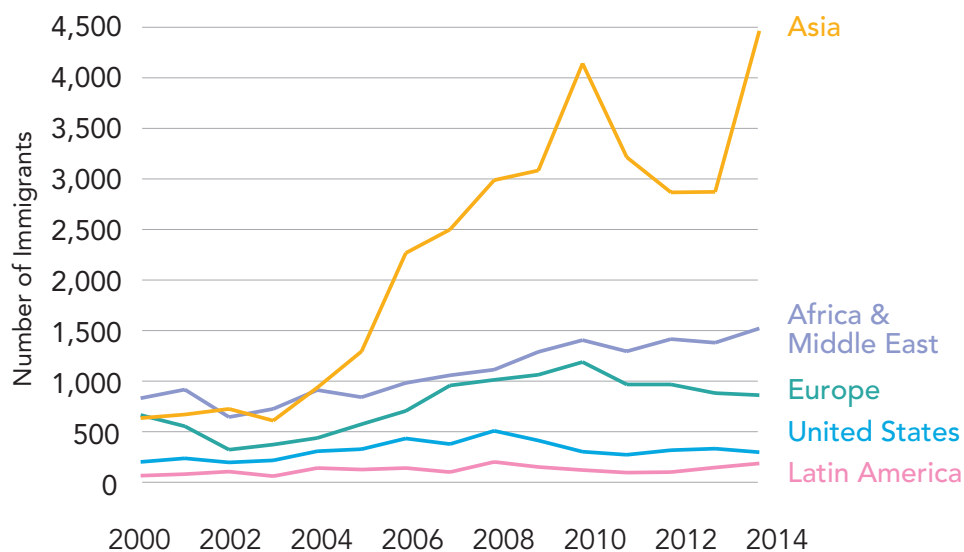
Asians Matter for Atlantic Canada

Compared to the rest of Canada, Atlantic Canada has a relatively small and older population (2.2 million according to the 2011 census), but its growth is being increasingly fuelled by international immigrants and the region is experiencing rapid urbanization.²⁰ Appropriately addressing immigration, tourism, and foreign student trends can help the region’s leaders better understand which Asian markets may have the most natural people-to-people connections. Ensuring that the policy decisions and actions are made in light of these findings and background information could help expand existing business relations in the region and lead to new opportunities. It could help to identify target markets and business programs that are better adapted to Atlantic Canadian and Asian realities.

Asian Immigrants to Atlantic Canada

Immigrants have played an important role in Canada’s economic and cultural development, and continue to do so. Since 2004, the growth of the number of immigrants from Asia has been rising faster than the numbers of immigrants from other parts of the world. In 2005, Asia became Atlantic Canada’s top source of immigrants. In 2007, the number of Asian immigrants surpassed the number of immigrants from the rest of the world combined, a situation that continues to the present. Over the last five years, Atlantic Canada received an average of 3,500 immigrants per year from Asia. In the last 10 years, over 29,500 Asian immigrants arrived in Atlantic Canada. Most of these immigrants arrived in Prince Edward Island, followed by New Brunswick, Nova Scotia, and Newfoundland and Labrador. For each of the Atlantic provinces, the largest number of Asian immigrants in the period 2000 to 2014 came from China. Other major Asian sources of immigration in the same period were the Philippines, India, Vietnam, and South Korea.

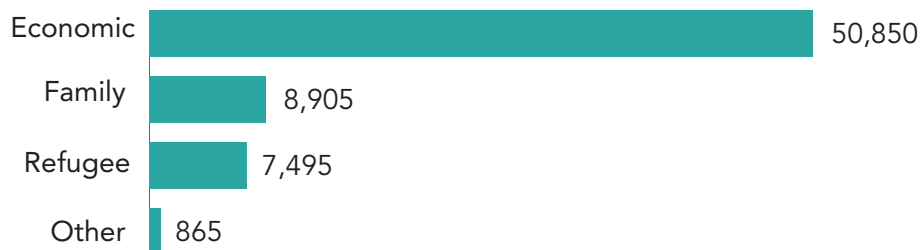
IMMIGRATION TO ATLANTIC CANADA, 2000–2014



Source: Citizenship and Immigration Canada

Asian immigrants to Atlantic Canada predominantly come under the “economic class.” This immigrant class includes skilled workers, owners of startup businesses, investors, entrepreneurs, provincial nominees, and caregivers. Immigration, Refugees and Citizenship Canada selects applicants based on their potential to economically establish themselves. What may be little known is that most recent immigrants who came to Canada under the economic class are generally more educated than their Canadian-born equivalents. This class generally has the highest earnings level of all Canadian immigrant classes, and yet many of these educated and qualified immigrants still have trouble securing jobs in their fields. This may speak to a gap between Canadian workplace and immigrant perceptions and lack of understanding or comfort with Canadians and new immigrants engaging each other.²¹

TYPE OF IMMIGRANTS TO ATLANTIC CANADA FROM ASIA, 2000–2014



Source: Citizenship and Immigration Canada

The diversity and growth of immigrants from Asia in Atlantic Canada is reflected in the variety of Asian languages spoken; Chinese, Korean, and Tagalog dominate. The speakers of Asian languages in Atlantic Canada only make up about 1% of the region’s population but the number of speakers is growing quickly. The diverse education and skill sets required by economic class immigrants, combined with their language abilities, offer potentially undervalued and underutilized assets for aiding Atlantic Canadian SMEs’ current business activities. Even if contributions by individual immigrants do not lead to sales in Asia, at the very least an increased number of companies may become more familiar with individuals from Asia—one prerequisite for developing a globalized mindset important for long-term planning in increasing engagement with Asian markets.

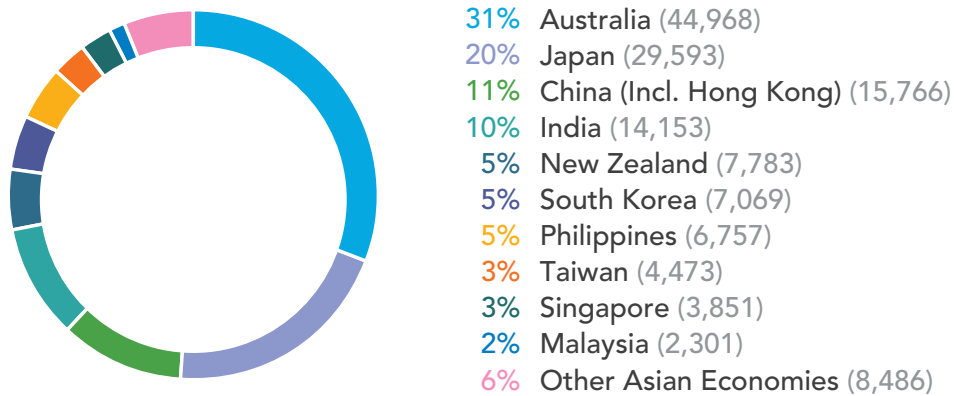
Asian Tourists in Atlantic Canada

Tourists from Asia have shaped this industry in many parts of Canada, and this trend will continue to increase because Asia will become a main driving force of the global travel industry for decades to come.²² Making up about 2% of Atlantic Canada’s total tourists from 2000 to 2014, Asia is the Atlantic’s third largest source of visitors after the U.S. (86%) and Europe (11%). Despite these comparatively small numbers, tourist numbers from Asia have been the only ones showing growth. In 2014, the number of

Asian tourists arriving in the Atlantic provinces was 82% larger than 10 years ago. In contrast tourist numbers from the U.S. have been steadily declining and those from all other parts of the world have either stagnated or shrunk.

In Canada, China has been, and will likely continue to be, the main source of Asian tourists. For Atlantic Canada, Australian and Japanese tourists account for just over half of all the Asian tourists to the region. The 2014 number of Japanese tourists was 10% smaller than a decade ago, but for the same period Australian, Chinese (including Hong Kong), and Indian tourist numbers rose 195%, 144%, and 83%, respectively. In light of these trends, there is an opportunity to increase the number of Asian tourists to Atlantic Canada. In order to attract more Asian tourists, it is important to be aware of Asian tourist needs and preferences when designing tourism packages, services, and marketing campaigns in Asian markets.

ORIGIN OF ASIAN VISITORS TO ATLANTIC CANADA, 2000–2014



Source: Statistics Canada

Asian Students in Atlantic Canada

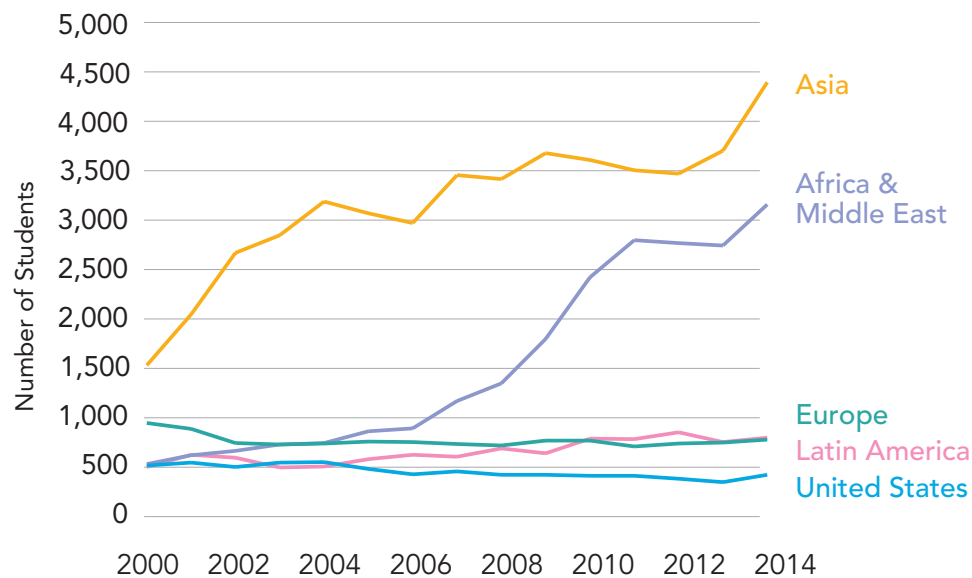
Between 2000 and 2014, nearly half of all foreign students in Atlantic Canada came from Asia (49%)—9% lower than the national average over the same period. Asian foreign students in Atlantic Canada accounted for 4% of Canada’s total Asian foreign students over this period.

The average percentage of Asian students in Atlantic Canada has remained fairly constant over this period, averaging 3,150 students per year—despite New Brunswick seeing a steady decline in Asian foreign student numbers since 2004. Between 2000 and 2014, the top source countries of Asian foreign students to Atlantic Canada were China (including Hong Kong) (57%), South Korea (14%), India (8%), and Japan (6%). Over this period, Nova Scotia and New Brunswick were the main recipients of these

students, taking 57% and 25%, respectively, of the region's total Asian foreign student population, followed by Newfoundland and Labrador (14%) and PEI (4%).

While PEI and Newfoundland and Labrador host the least amount of Asian foreign students in Atlantic Canada, they have had the highest average annual growth (16% and 10%, respectively, in contrast to 9% and 2% for NS and NL) over the same period. Many of these Asian foreign students are attracted to the "relaxed pace and global community" in Atlantic Canadian institutions and are keen to stay in the region and work.²³

FOREIGN STUDENTS TO ATLANTIC CANADA, 2000–2014

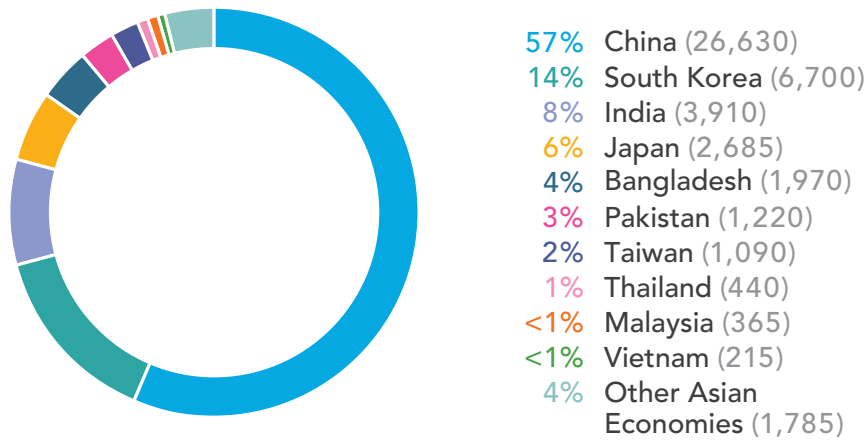


Source: Citizenship and Immigration Canada

Example of Atlantic Canadian Company Hiring Asian Nationals:

One high-tech company APF Canada talked to benefited by hiring doctoral graduates from Atlantic Canadian universities who had research experience in both Canada and Asia. These employees' ability to understand complicated nuances in their specific fields in multiple languages allowed the company to effectively communicate its services, accurately understand its Asian clientele's needs, and provide timely translations of technical documents. The respondent thought that this increased the company's confidence and made its Asian partners more comfortable.

ORIGIN OF ASIAN FOREIGN STUDENTS TO ATLANTIC CANADA, 2000–2014



Source: Citizenship and Immigration Canada

Diplomatic Offices and the Trade Commissioner Service

Canada maintains diplomatic offices throughout Asia that can aid Atlantic Canadian business endeavours. In 24 economies it has 18 high commissions or embassies, 23 consulates or consulate generals, one trade office, and two offices of the embassy. In addition, the Trade Commissioner Service (TCS) has 50 offices in 22 markets in the region (about 30% of all TCS offices). Of these, 41 are located in the 14 markets where companies consulted by APF Canada reported either doing or pursuing business in Asia, and 33 are located in the eight markets highlighted in the four sector reports (see sections 4 and 5 of this report). In other words, there is a good match between existing TCS offices and locations of opportunities for Atlantic Canadian companies.

The 10 trade commissioners who serve the Atlantic region can introduce businesses to the broader Canada- and Asia-based TCS networks. Regionally, the TCS can provide advice and support related to 12 sectors, but these do not include two of the four sectors highlighted in this report for potential growth in Asia—value-added agrifoods and clean technology (see section 5).

CANADIAN DIPLOMATIC OFFICES IN THE ASIA PACIFIC



Source: Global Affairs Canada

Every year, trade commissioners posted in Asia gather in Ottawa for training, representing a key opportunity for Atlantic businesses to engage in person with field experts. With new federal government initiatives underway, there will likely be an increase in TCS service availability in Asia in the near future. There are ample TCS offices in Asia that Atlantic Canadian SMEs interested in Asian markets can approach for market-entry and market-expansion assistance. Once a company is ready to begin making trips to Asia for market research, participation in trade fairs, or business development, they can apply for funding to help offset costs through federal initiatives, including CanExport and the AgriMarketing Program.²⁴ The Atlantic Canada Opportunities Agency and the four Atlantic provinces have programs that complement the Trade Commissioner Service and help support SME efforts to access new export markets.

Provincial Representations

Six provinces have official representation in Asian markets. Eleven of British Columbia's 13 trade offices are located in Asia. Alberta maintains 9 of its 12 trade offices in the region. In 2010, Saskatchewan—in collaboration with BC and Alberta under the New West Partnership—opened the Western Canada Trade and Investment Office in Shanghai. Manitoba has provincially appointed representatives in 10 markets that help with market research. Five of Ontario's 11 international marketing centres are in Asia, and Quebec has one general delegation and six bureaus that assist the province in a number of venues in Asia.²⁵ Several of the Atlantic Canadian SMEs consulted made it explicit that they thought it would be useful for them if their provincial governments either open a joint office or co-operate with existing federal and provincial offices to increase options for accessing specific in-market Canadian expertise.

The challenge for the federal government, Atlantic Canadian provincial governments, and the region's industries is locating and maximizing the crossroads where opportunities match Atlantic Canada's strengths, and deciding which areas to address and prioritize that will have the highest return on investment. Opportunities are ripe, but fierce competition, unfamiliar markets, and sheer costs for SMEs require governments to not oversell Asia in the short term to unfit candidates. Instead, governments must take a calculated, long-term approach that focuses on key issues, challenges, and sectors without sacrificing Atlantic Canada's business diversity. The remainder of this report provides insights from APF Canada research findings and four contracted, sector-specific reports that will help home in on key areas of focus for fostering Atlantic Canada business and trade with Asia.

4. ATLANTIC CANADA BUSINESS CONSULTATIONS

METHODS

Between September 2014 and June 2015, APF Canada researchers conducted over 30 interviews with businesses—predominantly SMEs—selling goods or services to Asia and organizations directly involved with logistics services to Asia or aiding Atlantic Canada-Asia trade. The first goal of these consultations was to gain a deeper understanding of the challenges Atlantic Canadian businesses face in Asia and identify some resources they use to make their jobs easier. While the stories we heard represent only a small sample of the diverse experiences of SMEs in the region, the findings will likely speak beyond the small sample size and help foster a deeper understanding of government priorities and business realities. Below, we summarize a few insightful findings from the consultations.²⁶

Atlantic Canada-Asia Success Story: Island Abbey Foods

Based on PEI, Island Abbey Foods has produced dehydrated honey since the early 2000s. John Rowe, CEO, knew his products would not only make a splash in Canada and the United States, but would also succeed in markets further afield. Rowe was convinced there were golden opportunities beyond his own backyard on PEI. But what he could not predict at the time was just how successful and popular his honey products would become in just a few years, more than 10,000 kilometres away in the Asia Pacific.

Shortly after market testing its first product locally, the “honibe honey drop,” Island Abbey Foods began marketing its products outside Canada. Part of the company’s international strategy consisted of targeting journalists and people around the world who wrote about honey in newspapers and specialized media. The strategy worked, and quickly snowballed—Rowe explains that within weeks Island Abbey Foods had global media coverage and was receiving orders on its website from various parts of the world. But what really made a difference in Asia, and in Japan in particular, was an interview request Rowe received from a Tokyo-based journalist.

The Japanese journalist who contacted Rowe in 2009 for an interview had received a honey drop from a friend who had visited PEI a few weeks before. Fascinated by the dehydrated honey lozenge and wanting to know more about the product, the journalist interviewed Rowe through a translator and wrote an article about the PEI-based honey company. The article spread the word across Japan, driving a significant increase in Island Abbey Foods’ sales in the island country home to 127 million people.

FINDINGS

Expansion was often an organic outgrowth of other business activities, such as attending a North American or European trade show or following up with a potential customer or distributor. It's important to get Asia on the radar of SME business decision-makers, but sometimes the way to get SMEs into Asia is by ensuring that they are well established at home and plugged into the big North American business events, including trade shows, conferences, and symposiums. Entering interprovincial markets or familiar international markets before moving to more distant markets provides SMEs with opportunities to build networks, test their export capabilities, and raise capital before shifting to Asia or becoming multi-market exporters, which requires frequent travel to Asia over the long term. That is, initial routes to Asia are often found closer to home through industry networks and the virtual world, rather than through one-time visits to the other side of the planet.

That said, almost all companies that had considerable experience in Asian markets talked about the importance of showing up in person and building relationships. This means meeting clients in person, following up once back in Atlantic Canada, and taking time for trust to develop. This is a pricey upfront investment. It takes more than just a single visit to the market. More attention needs to be given to ensure SMEs that have proven their commitment to engaging Asian markets can access the resources required to sustain long-term relationship building.

Many of the companies that have expanded into Asia and stayed there have also learned how to leverage the growing social ties between Canada and Asia. Asian-Canadians and Asian students studying in Canada have served as an important bridge to Asia for Atlantic Canadian companies. Atlantic Canada has an incredible resource in its university system, which attracts talented young people from across Asia. There are potentially lasting connections to be made by strategically engaging with these groups. This suggests that the region can further capitalize on post-secondary students from Asia already in the region and that vocational institutions can play a larger role in training youth in Asian markets. The challenge is to get busy companies to think about Asia, and perhaps catalyze some productive relationships with students, many of whom will be from Asia. Some examples showed that positive educational experiences of foreign students in Canada can facilitate important business transactions between Asian markets and Canadian companies 20 years later.

Lastly, companies reported the need for more information-sharing opportunities. Even experienced companies enjoy swapping information and learning from others operating in the region. For those exporting seafood and agrifood products, keeping up with shifting regulations across an administratively fragmented country like China is very challenging. For many companies the process involves a lot of frustrating, time-consuming, and costly trial and error, where only the most persistent and financially viable companies succeed. Many companies would welcome initiatives to create regular opportunities to share information and stories, and a central point where businesses could access the latest regulatory information.

To sum up, the main takeaways from the business consultations were that Asian market opportunities often arise in our own backyard, that engagement depends on continual investment in relationship building, that there is significant room to leverage existing Canada-Asia connections, and that there is a need to create opportunities for information sharing.

5. OPPORTUNITIES IN ASIAN MARKETS FOR KEY SECTORS

APF Canada identified four key sectors in Atlantic Canada that show promise for increasing business engagement with Asian markets. The four sectors highlighted by no means represent the diversity of sectors with opportunities to be had in Asia. Rather, homing in on a limited number of sectors aims to help develop a more focused approach to engaging Asian markets.

Upon identification of these four sectors, in spring 2015, APF Canada contracted experts in each given sector to write reports on opportunities and challenges for Atlantic Canada in Asian markets. Although each of the reports presents a number of lessons learned, they are intended to spur further dialogue within the sectors rather than set concrete steps for Asian engagement.

Below is a distilled sample of the observations from these sector-specific papers. Readers wanting a more in-depth analysis and review of the particular sectors are encouraged to consult the original reports.

CLEAN TECHNOLOGY²⁷

Author: Céline Bak, president, Analytica Advisors

The clean technology sector includes products, processes, and services that minimize the use of non-renewable resources and reduce costs, waste, and pollution compared to alternatives.

Key Asian markets: China, India, Indonesia, Japan, and South Korea

- **Engage with Natural Resources Canada to open a channel between Atlantic Canada and Chinese environmental science academies.** In China, academies, such as Shanghai Academy of Environmental Sciences and branches of the Chinese Academy of Sciences, play a pivotal role in translating government priorities into action plans via demonstration projects and policy development. An Atlantic Canada regulator or an academic entity could establish a relationship with one of these entities in partnership with a federal entity such as Natural Resources Canada or Environment Canada. Chinese entities may look for confirmation from Beijing and/or provincial governments before they engage with potential Canadian partners. Therefore, future growth of Atlantic Canadian clean technology in China will benefit from formal co-ordination between Canadian parties and Chinese academies.
- **Open a channel between Atlantic Canada and Asian utilities.** Utilities in Asian markets such as China and South Korea have demonstrated that they have the capacity for engagement with utilities from mature energy markets. Atlantic Canada utilities have knowledge of dam safety and operations, which is an area of interest for China's largest utility. Indonesian utilities may be open to similar engagement.

- **Fund energy efficiency, tidal energy, carbon or water technical experts to work within key project-origination entities such as the Asian Development Bank (ADB).** Many projects funded by the ADB for borrowing members are shaped with the help of technical expertise from the bank. Canada has yet to second technical experts to any international financial institutions. Atlantic Canada could build on its long tradition in energy efficiency by seconding an expert to the ADB.
- **Establish funds for feasibility studies and demonstrations.** Whereas some countries such as the United States have established strong ties to markets such as China via industry associations, others have created financing programs to fund feasibility studies and demonstration projects. This is a productive strategy wherever business requires in-country proof of a technology. In China, local technology demonstrations are required before a technology can be more broadly deployed. This is the case regardless of how often the technology has been deployed outside of China.

AEROSPACE AND DEFENCE²⁸

Author: McNeal & Associates Consultants Ltd.

The aerospace and defence sector refers to businesses and institutions providing products and services used for spacecraft, civil and military aviation, and military equipment.

Key Asian markets: China, the Philippines, Singapore, and South Korea.

- **Hire local sales representatives or distributors.** These partners generally provide timely, market-specific commercial information and help establish access to decision-makers by leveraging personal relationships to promote products, develop sales opportunities, and assist with after-sales support. Successful exporters often cite the need to invest significant effort in maintaining and managing relationships with these partners.
- **Understand intellectual property risks.** Businesses need to be wary of the possible abuse of their intellectual property in certain markets. Companies can minimize these risks by thoroughly assessing the true cost/benefit of prospective sales.
- **Closely follow the International Civil Aviation Organization's standards and developments.** This United Nations organization, headquartered in Montreal, adopts key international safety standards, developments, and recommendations. Keeping abreast of the work of this organization will help ensure the industry stays current, since the civil aviation market is often driven by new safety standards.
- **Pay attention to market-specific developments to help home in on opportunities.** For example, developing closer ties with the Civil Aviation Administration of China would be one way of maximizing growth potential in China. Singapore is often used as a conduit to China and other regional markets. The small island nation has a high level of transparency and a

respectable ease of doing business ranking. It is seen as a gateway to the region, albeit a competitive one, and may represent a starting point for some Atlantic Canadian companies. Atlantic Canadian companies could benefit from following South Korean and Filipino developments. The 2014 Canada-South Korea Free Trade Agreement will significantly improve market access to Korea by reducing or eliminating a number of tariff and non-tariff barriers, and therefore open new opportunities. Under President Benigno Aquino, the Philippines allocated US\$1.8B for defence modernization from 2013 to 2017. This is a largely untapped market for Atlantic Canadian companies, which they could possibly enter by working with other Canadian companies that have a history of providing goods and services in the Philippines.

OCEAN TECHNOLOGY²⁹

Author: Institute for Ocean Research Enterprise

The ocean technology sector refers to knowledge-based companies that invent, develop, or produce technologies or products for specific use in or on the ocean, together with those that provide knowledge-intensive, technology-based services unique to the ocean.

Key Asian markets: China, India, Japan, Malaysia, Singapore, South Korea, and Taiwan.

- **Balance market hype with sector realities to avoid overstating the importance of China.** There is generally a lot of excitement about China but it remains mainly inaccessible for Canadian defence firms. Ocean industries in Atlantic Canada are very defence-oriented and the growth potential in this sector in China might thus be overestimated.
- **Gain a deeper understanding of India's complexities.** India remains a promising, but as yet mostly unfulfilled, market for Atlantic Canadian ocean technology firms. Complex procurement processes and a trend toward inward technology transfer will continue to pose challenges for companies looking to engage with India.
- **Pay attention to how regional tensions fuel opportunities.** Continuing naval tensions in the region, combined with robust economies, provide opportunities for naval system exports to Japan, Malaysia, Singapore, and South Korea. Following developments in regional tensions could help open new avenues for trade.
- **Increase assistance from the Department of National Defence.** Canadian naval systems companies are sometimes disadvantaged in Asian sales by not having sufficient support from the Canadian Department of National Defence for on-ship demonstrations of installed equipment. Such support is readily available to European competitors from their navies. Innovation, Science and Economic Development Canada, in co-operation with the Department of National Defence, could facilitate visits by customers from allied Asian countries to Canadian warships to see Canadian technology installed and working. This could be done either during foreign port calls by Canadian ships or by facilitating visits to Canadian naval bases.

- **Provide SME mentoring.** Smaller firms would benefit from mentoring in Asian business development. This could be provided by larger or more experienced firms but facilitated by government through networking events or workshops.

VALUE-ADDED FOODS³⁰

Author: Steven Russell, associate professor, Department of Business & Social Sciences, Dalhousie University

The value-added foods sector refers to processed, packaged, high-value, and manufactured foods.

Key Asian markets: China, India, Indonesia, South Korea, and Vietnam.

- **Establish an Atlantic Canada food and beverage export club to proactively drive market assessment, relationship building, and training.** The industry would benefit from a proactive partner in the form of an export club patterned after the Agri-Food Export Group in Quebec. This would not be simply for training and exposure to what businesses need to do; it would be an organization that establishes personal relationships overseas in select markets, acts as a consolidator for export shipments from Atlantic Canada, and provides an online presence to the industry in this region. Such an organization would ideally be industry-driven.
- **Conduct market and industry research into new product and new market opportunities.** Product possibilities include functional foods, health foods, and products redesigned for Asian tastes and preferences. There is a need for further investigation of the opportunities presented by third-party designations such as “halal,” “organic,” “sustainable,” and “eco-certified.” Research should be aimed at understanding the existing food and beverage processing industry, including its goals and objectives and the needs of current players to expand exports. Mapping existing global supply chains for specific value-added food products from Atlantic Canada could be a valuable aid.
- **Increase productivity and modernization of the value-added food industry.** This could be done through further supporting innovation in the value-added food sector, maintaining and growing the highly skilled labour force, and facilitating access to leading-edge research and new markets. Productivity improvements through automation, increased throughput, improved energy efficiency, and streamlining regulation could also help the sector grow.

6. ATLANTIC CANADA'S ASIAN OPPORTUNITIES

Western markets will remain the drivers of Atlantic Canada's international business, but to diversify its portfolio the region's public and private sectors would benefit from taking a more concerted effort to engage Asian markets. The trends and drivers of change in Asia, overviewed at the outset of this report, will affect Atlantic Canada's goods and services trade relationships by dictating key opportunity locations and nuances in demand.

Synthesizing findings from the Asia Factor in Atlantic Canada project, complemented by other in-house APF Canada research and analysis, has brought to light a variety of lessons learned as to how federal and provincial governments, as well as industry, can support Atlantic Canadian businesses as they deepen engagement with Asian markets.

Build on Canada's trade gateways and corridors in order to transform Canada into a gateway economy, seamlessly connecting Canada to the world. A firm's competitiveness within global value chains is directly linked to its ability to import inputs, to export products, and to move people efficiently. As such, investing in Canada's trade gateways and corridors, such as the Atlantic and Asia Pacific "gateways," is important in advancing Canada's competitive advantage and transforming Canada into a gateway economy that links Asia, North America, Latin America, and Europe. In so doing, Canada and Atlantic Canada would benefit from building on its trade gateways and corridors to ensure a seamlessly interconnected multimodal system to further advance Canada's competitive advantage. We may also want to explore the viability of creating more foreign trade zones, like the Halifax foreign trade zone, in other strategic locations in Atlantic Canada.

Support the concept of a single Canadian brand as a way to co-ordinate trade promotion activities across all sectors. Canadian products are not always recognized as such in Asia. In the Chinese market, Canadian lobster is often called "Boston lobster." As well, many Chinese chefs and consumers are more familiar with the softer flesh of Australian rock lobster and are convinced that this is a higher-quality product than Canadian lobster. This means that businesses in Atlantic Canada often sell their products for cheaper than their potential value in a standardized, well-branded international market, lowering the overall value of such products in the region.

Across many sectors we see companies that have chosen to brand locally, with their home province, or regionally. While local and regional branding has merit, in Asian markets it may go unnoticed and not be recognized as Canadian, therefore limiting branding impact. For this reason, we think that there is value in supporting the concept of a single Canadian brand and investing in developing, promoting, and marketing such a brand—particularly in areas like fish and seafood, technology, and value-added agrifoods, where quality control is very important to consumers.

Online retailing (e-commerce and m-commerce) is rapidly growing throughout Asia, particularly in China and South Korea. Canada has much to gain by following its competitor countries by developing Canada-branded sites on platforms such as Alibaba and JD.com.

In light of the absence of Atlantic Canada provincial offices in Asia, and the importance of market access information in key target Asian markets, help businesses better leverage the Trade Commissioner Service in Asia. The TCS provides market-specific information to help firms access new markets. Working with the TCS in Asia could include obtaining specialized knowledge of niche markets.

SMEs often face difficulty in obtaining up-to-date regulatory information in Asian markets. Not only does this information differ among economies, it can also differ significantly within a single economy, such as in China. Many firms already in market find it difficult to keep current on regulatory changes. Such complications, which tax limited time and resources of smaller companies, may be a turnoff for companies looking to move into or expand operations in Asia. Having a readily accessible, central resource on regulations that Atlantic Canadian businesses could access or contact to learn the latest regulation information could help attract more SMEs to export to Asia and help already-engaged SMEs grow in the region. An information clearinghouse for regulations and procedures for particular Asian markets could be made available through key ports and airports. Keeping it up to date would require working closely with the TCS in Asian markets to monitor regulatory changes.

Work with business associations in key sectors to improve use of government visits and trade missions for promoting Atlantic Canadian businesses. The Canadian federal government helps open doors of government buyers and influencers in Asia. This is particularly true in centrally controlled economies like China, where a visiting business delegation led by a government representative will often get a better reception than a pure business delegation. While this already happens, there may be more opportunities to better leverage these introductions. For businesses, sector-specific and targeted delegations are more valuable than general political missions, especially for companies that deal in value-added and niche products and services.

In this light, businesses may benefit from developing relationships with one of more of the over 100 Canada-based Asian ethnic business and professional associations. Among the best known business associations include the Canada China Business Council, the Hong Kong-Canada Business Association, the Japan Society, and the Canada-India Business Council. Many of these associations are active in facilitating trade, networking, and organizing trade missions. While only a small number of these are active in Atlantic Canada, if businesses express interest and approach these associations, the associations could expand their presence in the Atlantic region. In addition, there are numerous well-established research centres with Asian research and business expertise across the country, including the Asian Studies program at Saint Mary's University and the Centre for Foreign Policy Studies at Dalhousie University, which may be underutilized by businesses.

Convene workshops in Atlantic Canada that would bring together successful companies to educate and mentor new companies interested in Asian markets. One of the issues we heard from companies is that they would like to meet with their peers and get advice from people who have gone into Asian markets. There is much expertise and experience in businesses that are already successfully exporting to Asia. People from these businesses could be matched with people in non-exporting businesses to receive advice and knowledge assistance. No doubt some of this already occurs, but in an ad hoc manner.

That being said, within sectors it is often difficult to bring companies together to work collectively and share information. Some companies consider this kind of information intellectual property so they may not be willing to share their successes or how they overcame challenges with potential competitors. There are exceptions, however, where specific product specialists, like parts of the lobster industry, have taken initiatives to work together for a common goal.

Even successful companies enjoy hearing about the trials and tribulations of other companies. Sharing experiences need not be limited to specific sectors—challenges and lessons learned often cut across such divides. Convening workshops where such information could be shared could provide valuable resources to companies thinking of moving into Asian markets. There are some amazing success stories in Atlantic Canada, like Island Abbey Foods and Muwin Estate. A regular rotating speaker's series held under the Chatham House Rule to encourage companies to have free discussion about their experiences could be one such mechanism. Alternatively, industry associations, such as the Atlantic Food & Beverage Processors Association, could formalize a matching process among a smaller number of companies and encourage mentorships between appropriate members. APF Canada could assist with such initiatives.

Investing in a set of tools (providing a one-stop shop) for services available from the federal government and other levels of government to companies interested in going to Asia would also benefit Atlantic Canadian SMEs. APF Canada is currently putting together a set of tools for the BC government and could assist the Atlantic Canada Opportunities Agency in doing something similar.

Actively support the development of "Asia competency" in the Atlantic provinces.

This could be done by: 1) building social studies curriculums on Asia that include publicly accessible workshops and competency modules for Atlantic Canadian high school social studies teachers, and 2) developing co-op programs directed at post-secondary students, giving young people work experience in Asia.

According to APF Canada's 2014 National Opinion Poll, only 28% of Atlantic Canadians felt that Asia is important to their provincial prosperity—the lowest ranking in Canada. In contrast, 54% felt that Asia is not important to their provincial prosperity—the highest in Canada. Furthermore, only 35% of Atlantic Canadians polled supported the opening of provincial offices in Asia—the lowest level of support in Canada. Ensuring that the next generation of business leaders and entrepreneurs consider Asian markets as part of their strategic intent from the beginning, rather than ad hoc or by chance encounters, requires the general public to have a higher degree of familiarity and comfort with the diversity and dynamism in the Asia Pacific.

With the increasing economic prominence of the Asia Pacific, Atlantic Canadians, and particularly youth who want to succeed in the global economy, need to improve their Asia competence. This is more than increasing language acquisition or developing a transaction-based approach; we need a greater awareness of the importance of Asia for the future of all Canadians.

APF Canada is currently working on two such pilot programs in BC, collaborating with the University of British Columbia, Simon Fraser University, the British Columbia Institute of Technology and the University of Victoria. If there were interest, APF

Canada could work with regional stakeholders and other relevant institutions to develop such programs in Atlantic Canada.

Pair groups of Asia-competent students with local businesses. Atlantic Canada has a rich and diverse foreign student population from Asia. Many of these students also have experience, relationships, and networks in their home countries that could be further leveraged. Foreign students gain valuable expertise and Canadian competencies in Atlantic Canadian educational institutions that facilitate their familiarity with living and working in Canada and Asia. Many companies have stressed how important these students have been for beginning or enhancing their business in Asia, but there remains significant room to facilitate the linking of students with businesses.

Setting up more robust co-operative programs, part-time contracts, or a competition that pairs students with local businesses or trade offices and offers a paid internship for the winning team are all ways to get more companies thinking about Asia, and to provide Atlantic Canadian educational intuitions with another tool to attract a booming youth population in Asia looking for quality overseas educational experiences.

Support a clearer understanding of the TPP's impact on Atlantic Canada. Finding Atlantic Canadian businesses that will benefit from the TPP and convincing them to speak out will help others to see the potential opportunities. It's also valuable for proponents of the agreement to have voices from all regions. Having stories from coast to coast to coast could help argue that case.

Given Canada's current foreign trade agreements with the United States, Mexico, Chile, and Peru, the TPP would grant Canada preferential treatment to seven Asian economies. Within these Asian economies, Japan—the world's third-largest economy—will bring the biggest potential benefits for our national economy. While all the other Asian economies could prove important for Canadian business, they are small compared to Japan. For example, Canada's current two-way merchandise and services trade with Japan is approximately 38% larger than the remaining six Asian TPP economies combined. Atlantic Canada's trade with these Asian economies is similar in proportion to the national figures. For example, in 2015, Atlantic Canada exported C\$370M in goods to Japan, compared to C\$201M to the remaining Asian TPP economies.

In short, Japan will provide the most "bang for your buck" in terms of the size of the market and new preferential access. Creating industry-specific export packages—beginning with Japan—for Atlantic Canadian businesses is one way of further promoting Asian TPP markets.

FINAL REMARKS

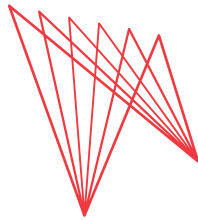
APF Canada's project, The Asia Factor in Atlantic Canada, tracked drivers of change in Asia, key indicators of Atlantic Canada-Asia relations, and highlighted key opportunities for Atlantic Canada's future business and trade engagement with Asian markets. It has identified best practices and priorities for business leaders and policy-makers that could help support and stimulate economic growth.

The political and economic importance of Asia has been growing rapidly, but the expansion of businesses from Atlantic Canada into the region is risky and may not be a good idea for all companies. The success of Atlantic Canada's future engagement with Asia will require co-ordinated and strategic collaboration and partnerships among diverse groups of concerned parties. Accessing opportunities in unfamiliar complex markets is difficult. Firms will need to have a strong global strategy.

ENDNOTES

1. Asia is defined in accordance with Innovation, Science and Economic Development Canada's breakdown and includes East Asia, Southeast Asia, South Asia, and Oceania. See The Asia Factor notes for a list of countries, <http://theasiafactor.ca/Notes>.
2. As of early March 2016, the Atlantic portion of The Asia Factor website, the online version of the infographic booklet, and the Atlantic Canada-related blogs had over 19,000 hits.
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5. Numbers adjusted for purchasing power parity. H. Kharas, "The Emerging Middle Class in Developing Countries" (Washington, DC: Brookings Institute, 2011).
6. Capgemini and RBC Wealth Management, "Asia Wealth Report, 2015"; and World Wealth Report, <https://www.worldwealthreport.com>.
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9. BP Energy Outlook, "BP Energy Outlook 2035," 2015; The Asian Development Bank, "Energy Outlook for Asia and the Pacific" (Mandaluyong City: ADB, October 2013); and "Highlights of Proposals for China's 13th Five-Year Plan," *Xinhua*, November 4, 2015.
10. BP, "BP Statistical Review of World Energy: June 2015."
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