

## **Asia Pacific Foundation and Canada West Foundation's Convening**

### **Building an Asia Pacific Gateway: Albertan Interests and Perspectives**

Calgary Marriott Hotel -- May 18-19, 2006

The Convening opened with an evening reception and dinner on May 18. The substantive sessions on May 19 began with an introductory panel consisting of Paul Evans, Roger Gibbins and John Higginbotham. The speakers laid out the broad vision of the interrelated gateways and overlapping municipal/provincial/federal jurisdictions involved. They emphasized the need to "think big" and "act quickly." The main issues they identified were:

- 1) Who will bear the financial burden for Gateway infrastructure?
- 2) How does the Gateway fit into the context of Canada's overall foreign policy, especially its approaches to North American integration, East Asian dynamism and an emergent global China?
- 3) How to coordinate the various elements of Gateways and maximize input from and benefits for the four Western provinces?

The panel argued that while the historical character of the prairie economy has always been global, with markets far away, it is essential that the prairie provinces change their "world map" and look at Asia as more than simply a source of earnings. This will involve combining people, culture and technology into transpacific relationships. Gibbins suggested that a recurrent Canadian problem is doing the right thing but on too small a scale. He noted that the Alberta government alone is spending \$150 million to solve a transportation bottleneck at a key intersection in southwest Calgary while the Federal Government has committed only \$590 million in total to the Pacific Gateway. The private sector will likely have to bear the major part of infrastructure costs.

### **Transportation Panel**

Transportation supply chains lie at the heart of the Gateway initiative. According to Canadian Pacific Railways (CPR), Asia Pacific constitutes the fastest growing market in the inter-modal business. Most of the goods transported to Asia are bulk commodities (especially coal). Asia accounts for 39% of outbound traffic, and 10% of inbound CPR goods. The railway forecasts a need for increased capacity of 2.25 million extra tonnes, with CPR planning to make its largest increase in investment and capacity since the turn of the century. Brian Humphreys noted four areas that had to be successfully addressed in infrastructure expansion:

- 1) Regulatory stability (the 2001 Canada Transportation Act has still yet to be finalized);
- 2) Self-help (using new technologies to maximize efficiency of existing infrastructure);

- 3) Stakeholder collaboration (e.g. CPR and Canadian National have been using their railway tracks interchangeably); and
- 4) Advanced Planning.

Rod Thompson of Transportation Alberta estimates that road/air investments within the province will amount to \$15 billion in the next 10-15 years. Of this, only 57% has assigned funding. The most significant of these just-in-time investments will be the development of key transportation corridors into the Oil Sands area. Some of the key challenges facing the transportation ministry are: locating sustainable funding, bridging the fragmented planning among different levels of government, as well as overcoming labour shortages. Alberta is hoping to overcome these problems through public-private partnerships (P3), a newly signed MOU on labour mobility and chartered bus agreement with B.C. Thompson noted Alberta's dependence on B.C.'s transport system to get its goods to Asian markets. He said that ultimately, a wide-ranging national transportation plan would be needed, with substantial financial commitment from the federal government.

Peter Wallis of the Calgary Airport and the Van Horne Institute raised other issues related to transportation, such as security, open skies agreements, and China's "Approved Destination Status (ADS)." Whereas Canada Customs only allows shipping containers to remain within our borders for only 30 days, containers can travel within and around the US for up to 365 days. Currently, Canada only has two open skies agreements (with the US and Britain), whereas the US has over 70 such agreements. As a result, Canada is missing out on passenger traffic on American airlines that use loopholes to, for example, stop over in Vancouver before flying direct to Asia. Wallis raised the necessity for direct flights from Calgary to Asia.

Ruth Sol of WESTAC raised the point that infrastructure expansion is dependent on community approval. A representative from CPR agreed, decrying the lack of government support during crises with the public over transportation expansion projects. Sol also shared results of the latest WESTAC Survey including consensus forecasts of major product groups. For example, container throughput is expected to increase threefold from 2004 to 2015.

Discussion centred on issues including the importance of using Canada's advantage as an Asian Gateway to the US. Participants were also reminded that rural areas of Alberta need to be included in any developments, so as to maximize all-round growth. Similarly, participants were reminded not to base the Gateway initiative simply around China, as Asia consists of other markets that show potential as well, especially Vietnam. Delegates agreed that timing was very important, and that the present window of opportunity in developing a North American Gateway might be lost through bureaucratic "red-tape" and "committee studies" rather than taking immediate action. Whereas the private sector indicated a readiness to invest over the short-term on Gateway activities, it was

agreed that it would be up to government bodies to frame the long-term vision for transpacific trade. Ultimately, managing the Gateway will involve facilitating the synergistic collaboration among stakeholders.

## **Energy Dimensions Of Gateway**

Oil pipelines were presented as the "critical enabler in realizing energy opportunities." Brad Herald of the Canadian Association of Petroleum Producers estimated that crude oil production will reach 4.9 million barrels per day in 2020 (up from the 2005 level of 2.5 million bpd). To handle the increased flow, pipelines will require significant investment, likely at a level unparalleled in Canadian history. This has significant implications for Alberta in terms of attracting FDI from Asia, as well as on capital equipment purchases. According to Brenda Kenny of the Canadian Energy Pipeline Association, the \$20 billion invested over the past 60 years on oil pipelines will have to be doubled within the next 15 years.

Michele Perret of Enbridge Gateway Pipelines Inc. said that Enbridge is working on a 1150 km, \$4 billion Gateway Pipeline from Alberta to Kitimat, which could accommodate exports of crude petroleum to California and/or the Far East. The project includes a marine terminal at the B.C. port of Kitimat. He suggested Kitimat should be included in discussions regarding port development associated with Federal or Provincial government Gateway initiatives.

George Eynon of the Canadian Energy Research Institute said Canada must diversify its research and development into alternative sources of energy, such as nuclear and liquefied natural gas. Because the Gateway is also about disseminating knowledge and information, it is crucial that Canada takes the initiative in pioneering energy research and know-how. Eynon also suggested that Alberta's future depended heavily on "knowledge capital exports" to Asia, not simply on the shipment of commodities. He said the province is lacking in the development and deployment of the R & D needed to support this transition.

During the discussion period, Gary Mar, Alberta's Minister of International and Intergovernmental Affairs, raised the importance of investing in companies with clear Asia strategies. Most began by developing cultural links before launching economic partnerships (he called these "bridges to trade"). Minister Mar also spoke of the importance of Alberta's overseas trade offices in maintaining as well as identifying new business relationships.

Asian countries, including China, Japan and South Korea, are not top of mind for the Alberta oil and gas sector but are of rising importance as potential investors and a source of future demand.

## **Innovation, Science, Culture & Education**

Over the years, Alberta has developed significant ties with institutions and industries in China. Song Wang of Alberta Innovation and Science explained that China is a priority country -- the provincial government aims not only to attract top Chinese research analysts to Alberta, but also to facilitate industry access into China via business networks and partnerships. In 2004, Premier Ralph Klein signed two MoUs -- with the Chinese Ministry of Science and Technology, and with the Heilongjiang Department of Science & Technology. These agreements allow for joint collaboration on advanced biotech and life sciences. One of particular interest is a cancer research partnership with the Chinese Medical Sciences Academy that will possibly include clinical trials.

Professor Larry Wang, who served as advisor to former University of Alberta President Rod Fraser, maintained that people-to-people contact lies at the heart of the Pacific Gateway. Between 1995 and 2005, Fraser made 34 visits to China. The University of Alberta currently has 14 active MoUs with leading Chinese universities, as well as 17 with Chinese government agencies and institutes. R&D is a major priority – the university budget for this increased from \$85million to \$430 million from 1995 to 2005. The university aims to create brand-name recognition in Asia, especially China. The Association of Canadian-Chinese professors within the university has helped in this goal, by returning to China to implement various MoUs. Similarly, the executive training program in collaboration with the Chinese National School of Administration has helped to forge a network of contacts with future Chinese government leaders.

Professor Wang also heads up the Ecological Conservancy Outreach Fund, which currently operates eight environmental projects in China. The fund has a good working relationship with the Chinese government, which has so far provided matching funds for its various initiatives. Professor Wang also spoke briefly on the newly established China Institute at the University of Alberta, which hopes to spearhead pioneering research on China within North America.

Sangmyun Kim, Trade Commissioner of the Canadian Embassy in Korea, gave an overview of the Korean ICT sector, which generates close to 25% of national GDP. Kim highlighted the growing multilateral means by which mobile technologies are being put together for consumer markets. For example, Canadian electronic parts are now being sent to Taiwan to be assembled before distribution in South Korea. Canada and South Korea signed an Arrangement on Science and Technology Cooperation in 2002. The areas for cooperation were discussed during bilateral S&T meetings that took place in Seoul in October 2003 and in Banff in May 2006. Much more advanced is the Alberta-Gangwon agreement -- technological collaboration has developed consistently over the 30-year sister province relationship.

Alberta Film Commissioner Dan Chugg outlined Alberta's advantage in the entertainment business: 1) Location; 2) People; 3) Amenities; and 4) Cost (in the form of investment tax credits). In Chugg's opinion, the movie "Brokeback

Mountain” really “put Alberta on the map” as well as generating tourism and publicity. The Alberta film industry is just starting to explore the Asian market through its overseas government offices (the first film office was recently set up in Japan), but the major barrier of distance remains -- there is still no direct flight from Asia to Alberta. The Alberta film sector is looking, in particular, to Japan as a source of future industry growth, since the strong Canadian dollar has caused a decline in US investment. Overseas staff are also experimenting with innovative ways to showcase Alberta through media fellowships (inviting Asian journalists to experience life on the ranch) as well as other branding activities, notably the Banff Film Festival which has unique appeal to the Japanese film industry.

### **Main Themes & Messages**

- Think big, really big and act quickly: Canada is competing with the world and we need to rethink our approach to Asia or else risk being left behind
- Government must provide leadership and long-term vision for the Pacific Gateway initiative; the private sector to input energy & enthusiasm, as well as necessary funding; the key to all this is to facilitate collaboration and for all parties to work more closely in partnerships than are common in Canada. Realize the need to collaborate overseas with groups who may be your competitors domestically.
- "Hard" and "soft" infrastructure must go hand-in-hand (recognizing that relationships drive economics & trade)
- Personal relationships & networks are important, especially in the Asian context
- Alberta has a key role to play in Canada's Pacific Gateway (Gary Mar, Minister of International and Intergovernmental Relations: "Alberta should throw its weight around"). The growing partnership between BC and Alberta lays the foundation for bigger projects ahead.
- Alberta's private sector has much to offer in terms of vibrancy and vitality, e.g. energy / education / film and culture
- Canadians need to identify a precise role on the world stage and this will require provinces, the federal government, businesses and other stakeholders to work collaboratively. It will involve harmonization of regulations, eliminating international barriers to trade, mobilizing public opinion at home and abroad on the “Canada brand.”
- the key role for government is partly financial but also includes setting the right policy framework that (a) encourages private sector partnerships and investment via tax credits, the development of human resources and lubricating international

and domestic relationships and (b) provides visionary leadership that encourages private sector and public participation in an ambitious Gateway strategy that starts with transportation infrastructure and trade and then connects to innovation and competitiveness.