

## **Saskatchewan and the Asia Pacific Gateway: Interests and Perspectives**

A consultation organized by APF Canada in cooperation with the Saskatchewan Trade and Export Partnership and the Regina Regional Economic Development Authority

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An opening panel of Yuen Pau Woo, Dale Botting and Clare Kirkland each laid out the broad vision of an Asia Pacific Gateway and asked participants to consider how Saskatchewan fits in with this initiative. The panel noted:

- The rise of Asia is changing the global economy, providing opportunities for Canada and the provinces. The Asia Pacific Gateway is increasingly important due to a revolution in supply chains, increasing productivity of transportation, and the phenomenal growth of the Chinese economy. The Gateway provides Canada with a uniting vision of the emerging opportunities Asia provides.
- Two world views dominate people's thinking on the Asia Pacific Gateway: a cyclical view of trade where the economy rises and falls, and a linear view of trade where GDP and trade rise steadily over the next few decades. The cyclical view invites protectionism whereas the linear view invites optimism and proactive changes to our business models, trade structures and supply chains.
- The Asia Pacific Gateway is a call for all of Canada to adapt to Asia's economic development. It is not a strategy for Western Canada alone; it must be a "national" strategy.

The following questions were posed to participants:

- What are the broader dimensions of the Asia Pacific Gateway beyond physical transportation infrastructure?
- Do the people of Saskatchewan understand these changes, and how are they adapting? Does Saskatchewan have the capacity to make these changes? Is Saskatchewan doing enough?
- What mechanisms and processes can Saskatchewan use to improve leadership to deal with these changes? How can stakeholders put the Asia Pacific Gateway higher on the province's agenda?

### **Transportation Infrastructure and Supply Chain Management**

John Higginbotham, Principal Advisor on Pacific Gateway at Transport Canada, noted that the Asia Pacific Gateway involves numerous players and stakeholders, including federal, provincial and municipal governments, the private sector and other public-sector interests. Transport Canada's priority is transportation and economic development across the country, focusing on port infrastructure, trucking and rail corridors, and keeping the US-Canada border open.

George Stamatinos, Saskatchewan Assistant Deputy Minister, Highways and Transportation, noted the province's highly export-oriented economy and its advantage in natural resources, manufacturing, agribusiness, energy production and affordable tourism. The Highways and Transportation Ministry has a comprehensive strategy to align the province's transport system by focusing on rural economic corridors, northern

economic infrastructure, urban economic corridors and regional short line railways. There is a need to connect highways for heavy trucks to the national highways and rail systems. He noted the challenge his department faces in financing new infrastructure and corridor strategies. He also noted that because national rail policy is considered relatively unstable, the province is focusing on smaller solutions such as short line railways that will not be directly affected by changes in national rail policy.

Rob Slinger, CEO of Regina Airport Authority, noted that Regina airport (YQR) sees 190 flights per week, and is currently adding new cargo facilities. YQR, a private not-for-profit corporation, is one of Canada's fastest growing airports, with 12.6% growth. Air cargo is the fastest growing sector. As the cost of air cargo decreases, the range of products shipped by air increases exponentially. YQR is in the early stages of a broad plan to reorganize the airport and cargo system to connect it better locally, nationally and internationally. Mr. Slinger noted that 'supply chain competition' means that transport infrastructure is critical to achieving an integrated and smart logistics chain, with the capacity to deliver not simply fastest, but on a specific day.

Discussion:

- Saskatchewan should be thinking about strategic 21<sup>st</sup> century tools to build the Asia Pacific Gateway. For example, while the province ships bulk grain now, in the future it could be shipping processed grain in the form of ethanol by rail to the US. The province can learn from Australian public-private partnerships in financing infrastructure development.
- Prince Rupert may not be competitive because it will be served by only one railway. While the port may save shipping time from Asia, the land travel will take longer.

### **Saskatchewan's Exports and the Gateway: Trade and Investment Opportunities**

Dale Botting noted that Saskatchewan is one of the most trade-intensive provinces in Canada, is one of the least dependent on the US market, and has unique relations with Asia. China and Japan are Saskatchewan's second- and third-largest trading partners, with India and South Korea ranking number nine and ten. Kazakhstan is the province's fastest growing market as it shares a similar environment to Saskatchewan. The Saskatchewan Wheat Board began exporting to China in the 1950s; Canpotex became active in China in the 1970s; and the province began exporting uranium to Japan in the late 1980s.

Mr. Botting suggested there are several strategic ways that Saskatchewan can be part of the Asia Pacific Gateway:

1. Transportation: Saskatchewan can be promoted as an inland port to ease congestion at the West Coast ports. An inland container port study is underway. The Arctic Passage from Churchill can be developed for air freight.
2. Power and Food: Saskatchewan's uranium is increasingly attractive to Asian markets, but the province is facing competition from Australia and Africa. Other key mineral exports include potash and diamonds. The province needs to continue moving up the value chain to produce and export quality and healthy foods with higher protein, as well as protein substitutes in grain, and peas for both food and animal feed.

3. Supply Chains: Saskatchewan needs to move up the supply chain, find supply chain partners and partnerships. Asia is a competitive opportunity, not a threat, to the province's supply chain capacity.
4. Transnational Entrepreneurship: The province's population is shrinking and rural businesses are increasingly facing succession challenges. The province needs to attract Asian immigrant entrepreneurs to build bridges and networks to Asia. Restrictions on immigration, foreign ownership of farmland and foreign capital for rural businesses, must be addressed.
5. Environmental Industry: Saskatchewan has expertise in environmental management, rural development and resource management that Asia increasingly needs.

Mr. Botting also mentioned the potential for Saskatchewan and Manitoba to work in partnership ("Saskatoba"), especially in the areas of nutraceuticals, food sciences, environmental technologies and energy. He recently formed a Great Plains Gateway Alliance that includes North Dakota, to address these partnership issues.

Michael Mitchell, of the Asia Pacific Desk at Saskatchewan Industry and Resources, noted several challenges in attracting Asian investment: the province is a small market; it has historically been difficult to attract immigrants; and the federal government is perceived not to process visa applications as quickly as do other countries. Local enterprises are small, which make travel and business with China logistically and comparatively difficult. While there is a current trend to source parts in Asia and outsource to Asia, there are still protectionist factions in the province and the country that oppose these trends.

Saskatchewan has an abundance of natural resources, and there is great interest from Asia-Pacific countries in these resources. Saskatchewan has an efficient regulatory structure, but issues of federal-provincial overlap have resulted in some delays. This is especially true for uranium, obviously the most sensitive of elements. East Asian buyers have some demands put on them by their governments to obtain security of supply in a short period of time. The province must work to ensure that it can meet their timetables.

The province also has a more limited budget than other jurisdictions for East Asian initiatives. Given this challenge, the province needs to have a sharp focus on what it wants to and can realistically achieve with regards to Asian investment.

Discussion:

- 92% of Saskatchewan firms have 20 or fewer employees, so there are capacity gaps that inhibit most firms from exporting. The province needs to focus on supporting firms that have the capacity for rapid growth.
- Immigration and visa processing is a key problem that inhibits business travelers and immigrants from coming to Saskatchewan.
- Considerable support is provided by Saskatchewan Trade and Export Partnership (STEP), including a financing project called Nextrade to complement Export Development Canada financing for local firms.
- Regulatory constraints such as import protocols and phytosanitary measures cause significant delays and complications to agriculture, biotechnology and nutraceutical companies. Regulatory agencies such as the Canadian Food

Inspection Agency, HealthCanada and National Research Council Canada should be reacting to industry to update and streamline regulations, but industry finds resistance to making these regulations more efficient and up-to-date.

- Sometimes the biggest challenges to trade with Asia are the things least talked about such as language, time zones, culture and negotiating styles. There is a need for training on how to do business with China, how to pitch business ideas to Chinese counterparts, and how to negotiate deals. Moreover, there is a need for attitudinal change to move away from a zero-sum mentality regarding trade and business.

### **Sector Interests in the Asia Pacific Gateway**

Marc Broadbent, Manager of Marketing, Communications, and Strategy at Hypor, noted that his company finds considerable opportunities in its trade with Asia. Hypor maintains and improves genetics of pigs to increase their efficiency and quality, and then sells these animals to Japan, the Philippines and China. His industry sees considerable opportunity in trade with Asia due to the size of the market, product demand, operational efficiency, market structure and cost of production. He noted that swine and genetics exports do not face significant intellectual property issues. However, challenges remain such as inefficient import protocols, difficulties in using trademarks, and royalty and value negotiations. He suggested that success depends on the ability to add value at the farm level, support local production systems, understand culture, manage costs, deliver to headquarters, and achieve volumes and economies of scale.

#### Discussion:

- Canpotex, the marketing and distribution company for Saskatchewan's potash, was recently caught in a price war with China that forced the province's potash mines to close. As China is increasingly dictating world potash prices, it is crucial for Canpotex to negotiate successfully with its Chinese counterparts and strengthen these relationships.
- Some companies are too small to consider China as an export market. Most companies look first at local markets, then the rest of Canada, then the US, then Europe, and finally Asia. Asia is the most difficult of these markets for smaller firms.
- Some companies use international student linkages such as post-graduate students or post-doctoral students, though the talent on Saskatchewan campuses is not being used enough.

### **Human Dimensions of the Gateway – Immigration, Tourism, Education, and Culture**

Dr. Alain Boutet, Director of the Office of International Cooperation and Development at the University of Regina, said his university has roughly 600 international students (8% of total student body), of which over 550 are from China. The university has partnership agreements with 35 Asian institutions that cover visiting scholars, research collaboration and exchanges. The largest challenge is finding Saskatchewan students to send on exchange to these Asian institutions. Currently only 60-65 Canadians go abroad each year from University of Regina, mostly to English-speaking countries. Another challenge is the declining enrollment in the university, which the institution hopes to offset with

foreign students. The university also hopes these foreign students will stay after graduation, and so has been working to remove immigration barriers.

Candace Phelps, with Tourism Saskatchewan, outlined the opportunities of selling Saskatchewan as a lower-cost tourism alternative to neighboring areas. China presents a huge potential market for outbound travelers, especially given the rising demand for Western-style vacations, increased saturation of first-stop destinations in Canada, and rising popularity of ranch and fishing vacations. However, the tourism industry faces challenges such as the difficulty of penetrating the competitive Asian market, the difficulty of moving large groups of people into Saskatchewan from the West coast on regional jets, and the need to reduce congestion in the national and provincial parks during the short high season. The tourism industry is currently figuring out the most strategic way forward to grow the domestic industry and make it easier for Asian travelers to come.

Barb Bond, with the Saskatchewan Immigration Program, outlined her organization's aggressive three-year strategy to address the province's labour shortage, to attract 5,000 newcomers a year by 2008. The Saskatchewan Nominee Program (PNP) is a central part of this strategy, with its own selection requirements and faster processing time for inbound visas. There are seven categories for immigration through the PNP program, including entrepreneurs, skilled workers and family members. The Community Partnerships and Settlement program is addressing the poor retention levels of immigration by providing language and skills training, and other support to communities and employers. Saskatchewan's labour shortage is a real problem, especially in the trades and health services sectors, and employers need help in identifying where to find new workers. There is growing support for immigration in the business community, and employers are important agents to welcome and settle these immigrants. Some problems remain, such as low levels of public knowledge of immigration issues, misalignment between federal immigration programs (oriented to jobs with higher education) and Saskatchewan's needs (trades people), and increasing demand for English-language training. An additional problem is physically 'landing' immigrants in Saskatchewan at the border.

Discussion:

- There is a need to connect with the Saskatchewan Diaspora both in Canada and internationally, as well as with Asian alumni from Saskatchewan.
- There are roughly 3,000 Chinese residents in Regina, and hardly any visible Asian culture on the streets beyond Chinese restaurants.