

20 Years and Counting

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Twenty years ago, Asia was on the move. Japan had shaken off the effects of the second OPEC oil price shock and its cars and electronic goods were flooding world markets. The Asian “Tiger economies” – South Korea, Singapore, Taiwan and Hong Kong – were booming. China was bursting to life, discarding the legacy of Mao for the reforms and Open Door policy of its tough little leader, Deng Xiaoping. There was talk of the dawn of a Pacific Century.

In Canada, a group of men and women, largely from the west coast, who were watching the changes across the Pacific believed that if Canada was to adjust to the new Asia, it must understand something of the cultures and policies driving the transformation. They urged this priority on Ottawa. Pierre Trudeau had always been fascinated by Asia: he had backpacked through the region in 1948, wrote a book on China in 1956, and as Prime Minister had recognized the People’s Republic of China diplomatically years before President Nixon’s famous trip to Beijing. When Vancouver businessman John Bruk approached him with the innovative proposal of creating a Foundation to help Canadians better understand Asia’s evolution, Trudeau leapt at the idea.

On June 1, 1984, in one of its last legislative initiatives, the Trudeau government introduced a bill to establish the Asia Pacific Foundation of Canada (APF Canada). It was passed with unanimous support from all parties. Since then the Foundation has worked steadily to bring home the message that the emergence of Asia as an economic force is reshaping our world in ways that Canadians can only ignore at their peril.

Of course, much has changed since 1984 – both in Canada and in Asia. Some of the developments were foreseen, especially the growth in Asia’s economic role in the world. Its share of much-expanded world trade has grown rapidly: today, 27% of all the world’s shipments come from or move to Asia. But there have been other changes that were not foreseen in 1984, that have influenced the way Canadians relate to Asia. The adoption of free trade with the US has had the biggest effect. Free trade eased our way into the biggest, richest market in the world, but it also turned the attention of business and government away from Asia. Across the Pacific, the collapse of Japan’s overheated “bubble economy” of the late 1980s, sapped the vitality and much of the confidence of the main engine of Asian economic growth for a decade. The financial crisis of 1997-98 in Southeast Asia and South Korea, destroyed some of the wealth created in the booming years before and further undermined Canadian commercial interest in the region. Not all the changes were economic. The end of the Cold War and most recently the attacks of 9/11 also reshaped relationships in unexpected ways.

The change that will have the most impact on Canada in the years ahead is the emergence of China and, at the same time, the development of transpacific

production chains. In fact, as China continues to expand, some see it eventually challenging Canada in the US market, perhaps even displacing us from our position as America's major trading partner. Canadian business cannot afford to ignore the realignment of production and trade that China's growing economic strength is causing. Canadians must discard a mercantilist mindset that sees the goal of transpacific commerce as just selling to Asia. The time has come for Canadian businesses to invest in these transnational production chains. Canadian investment in Asia has climbed strongly in recent years, but most of that investment has been aimed at supplying Asian markets. As the core of many production chains aimed at supplying developed-country markets, and especially the US, are in Asia, Canadian companies will have to set up facilities in Asia or risk losing their place as suppliers. This marries greater involvement in Asia with our need to maintain our position with our major trading partner, the US.

We have come a long way from our view of Asia as a region at the very edge of our awareness in 1984. The arrival of 1.7 million Asian immigrants in the past 20 years has made the styles and cultures of Asia part of the environment of our major cities. High-speed communications have brought the issues of Asia into our living rooms via our TV or computer screens almost as soon as they arise. And yet Asia remains a different world from North America. As its influence on us grows, it is more important than ever that we continue to try to understand the forces at work that ultimately impact on our lives.

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