

Gateway to Asia: A Two-Coast Imperative

Paul Evans

A trip to the mall reveals how Asian products have lowered prices for many of the goods we consume. At the gas pump, higher prices in part reflect Asia's growing appetite for energy. And at the bank, lending rates are heavily influenced by Chinese and Japanese purchases of American Treasury bonds. Asia's economic prowess is no longer "out there." It is a part of everyday life for Canadians across the country.

Canadian consumers and commodity exporters are benefiting from the new efficiency of production systems and supply chains centred on Asia. Western Canada's boom is directly connected to Asia's economic engine. At the same time, Canadian manufacturers and agri-business are aware of the fierce competition they are facing.

The increased volume of trade with Asia poses a huge challenge to our transportation infrastructure. Last year, Vancouver's ports handled about 2.12 million TEUs (20ft equivalent units) of containerized goods, mostly to and from Asia; Halifax handled a total of about 550,000 TEUs. A recent study by WESTAC indicated that container throughput on the West Coast will increase to at least 3.55 TEUs by 2010 and 5.41 by 2015.

The simple facts of geography explain why the West Coast of Canada is the leading edge for trade with East Asia. The sailing time from Shanghai to Vancouver on an express shipping service is about 10.5 days. The equivalent time to the US Asian gateway port of Los Angeles is 12 days (and to Halifax is 20 days). In response, BC has begun its own Gateway program to invest about \$1.3 billion over the next five years in roads, rail lines and port capacity. Alberta is expanding its road and rail network and a private company is building an oil pipeline from Fort McMurray to Kitimat on the northern B.C. coast. The federal government soon will announce its new Asia Pacific gateway and transportation corridor initiative that will invest a further \$590 million in transportation infrastructure in Western Canada.

To be successful, a Gateway strategy must involve more than just Western Canada. It must involve thinking big, thinking nationally and thinking comprehensively.

Thinking big means expanding capacity for ports, airports, rail and road links across the country not simply to meet demand today, but to anticipate growth for years to come. And it means leveraging public funds with a much larger investment by the private sector.

Thinking nationally means bringing Central Canada and Atlantic Canada into the equation. Halifax's deep water port and rail lines are increasingly attractive to

shippers. They offset the risk of disruptions on the West Coast due to labour problems, natural calamities, and sheer volume. Their attraction increases because integrated supply chains depend as much on certainty of delivery as on speed of delivery. And businesses are aware that a balanced and cost-efficient flow of containers to and from Central Canada depends on an East Coast terminus. Those looking longer term see the geographical advantage of Halifax as trade with India increases.

Thinking comprehensively means looking beyond Gateway infrastructure. Unless we change attitudes and increase our productivity and competitiveness, our fate will be as the mere transporter of containers to the US, the 21st century equivalent of the hewers or wood and drawers of water of an earlier era. The value added will go elsewhere. The world's great Gateways, including Singapore and Hong Kong, are as much about transformation and generating a competitive advantage as transportation. What goes on in a Gateway is more important than what goes through it.

The Asia Pacific Foundation of Canada has organized meetings across Canada to bring together creative people thinking about how an expansion of transportation infrastructure can bring new value and innovation to our economy and society. A meeting next week co-organized by the Foundation and the Port of Halifax will focus on the Atlantic Canada dimension. How can logistics and supply chain management be improved and create new comparative advantages for Canadians? How can its universities and community colleges be more aware of developments in Asia and help prepare our best minds for coping with them? How can art and design be merged with engineering and science to provide a competitive edge? How has Halifax's 250 years as an Atlantic Gateway generated ideas and industries that can help with the Asia challenge?

Thinking big, nationally and comprehensively must start with an appreciation of the enormous challenge we face in dealing with the gravitational field of an increasingly integrated and dynamic Asia. A bi-coastal approach is a necessary part of the solution.

Paul Evans is the Co-CEO of the Asia Pacific Foundation of Canada, the leading independent think-tank on Canada-Asia issues.