

## Special

## Canada-Asia 2013

Despite Asia's rapid rise, its future – and impact on Canada and other developed nations – is far from clear. From June 3 to 5, business and policy experts will gather in Vancouver for Canada-Asia 2013 – a forum that will explore opportunities and risks in Asia over the next decade, and identify the skills, capacities and resources needed to respond effectively to what is rapidly becoming one of the world's most influential regions.

## ASIA RISING

In this feature, we introduce some of the questions as well as the thought leaders whose insight offers answers.



**Hon. David Emerson**  
Senior Advisor, CAI Private Equity;  
Co-Chair of Canada-Asia 2013

#### How would you characterize Canadian market penetration in Asia compared to our international competitors?

In some areas, such as financial services, we are doing okay, but in others, such as energy, natural resources and agricultural products, we should do better. We cling to supply management at the expense of growth in exports and are prisoners of long, drawn-out regulatory processes when it comes to necessary infrastructure to connect with Asian markets.

#### Why should more Canadian companies pay attention to Asia's rise?

Asian markets are where most of the anticipated global economic growth will originate in the decades to come. These are also the economies that are fast becoming

**"All Canadian businesses need an Asia strategy. At the very least, it involves an explicit focus on Asian opportunities and threats and making the necessary adjustments."**

**Yuen Pau Woo**  
is the President and CEO of the Asia Pacific Foundation

leading innovators and producers of the science, technology, engineering and math expertise that will drive global competitiveness. Canadian companies need to be there with investment, partnerships and framework agreements to support market access.

#### Any particular sectors in which Canadian firms have a greater chance of success?

We should embrace our potential in natural resources by focusing on hitting the market opportunities while they exist, as it won't be forever. We should also ensure that the technological and value-added opportunities related to our resource activities are supported.

#### How can small and medium-sized Canadian businesses with limited budgets get involved in Asia?

There will always be opportunities for those with an appetite for risk and a willingness to participate in the cultural and business life in an Asian country. For others, the focus may be more toward participation in global supply chains. Fewer, better, stronger will be a recurring mantra for being a competitive participant however.



**Yuen Pau Woo**  
President and CEO, Asia Pacific Foundation

#### What key social and economic trends do you see influencing the Canada-Asia dynamic going forward?

The growing wealth and sophistication of Asian consumers. There is increasing demand for higher-quality products as well as consumer and business services that are consistent with lifestyles that middle-class families around the world desire. Canadian companies are well positioned to respond to this trend.

#### What is the timeline for Canada to act on trade and investment opportunities?

In the energy sector, the opportunity is massive, but the timeline is short. We should be under no illusion that energy export and

#### ONLINE?

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#### CANADA-ASIA 2013

Hosted by the Asia Pacific Foundation of Canada, Canada's leading source of information and analysis on Canada-Asia issues, Canada-Asia 2013 conference is held in conjunction with the 21st General Meeting of the Pacific Economic Cooperation Council from **June 3-5 in Vancouver, BC.**

Canada-Asia 2013 will bring fresh perspectives and insights from leading experts across Asia and Canada. It will explore the major economic, political, security and social forces shaping the region today, such as the rise of the middle class, the focus on creativity and innovation, and the urgent need for green growth.

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investment opportunities are unlimited and open-ended. The broader economic opportunity of Asia for Canada is long term, but governments and business have to act now.

#### How may Canadian businesses best equip themselves to participate in Asia's rise?

All Canadian businesses need an Asia strategy. That could mean being in Asia and selling to Asian markets, or it could mean working with Asian partners in the North American market. At the very least, it involves an explicit focus on Asian opportunities and threats and making the necessary adjustments. Even if you are not interested in selling to Asia, you have to assess the potential competition from Asia in other markets.

#### Why is it important to have this conference? Why host it in Canada?

Canadians largely understand the economic importance of Asia, but we haven't yet had a conversation about the actions and strategies to be successful in Asia. This conference focuses not just on WHY Asia is important, but on HOW Canada should respond.

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**Dean Connor**  
President and CEO, Sun Life Financial;  
Co-Chair of Canada-Asia 2013

#### How would you describe Sun Life's penetration in Asia relative to its opportunities?

Asia is an important pillar in our growth strategy. Recently we entered into new partnerships in Vietnam and Malaysia – markets that have growing middle classes with growing financial needs, and currently they are underserved. Sun Life is now in seven countries in Asia, representing 70 per cent of the region's population and 90 per cent of the growth opportunity for the next decade. We see tremendous long-term growth as well.

#### Where does Sun Life see new business growth in Asia?

There is a strong savings ethic in all of our Asian markets and most of our insurance products combine savings with life insurance and pensions, which positions us well. Finally, group benefits through workplaces are also growing in many markets in Asia.

#### What are some keys to Canadian success in Asia?

Finding a reliable local partner, building strong business relationships on the ground and managing the business for the long-term are essential. Sun Life is fortunate to have excellent partners in Asia who are well established and market leaders in their own right.

#### How can the Government of Canada help Canadian businesses advance their interests in Asia?

Canadian prosperity in Asia begins with smart policy-making at home. Our governments should continue setting the conditions for Canadian companies to grow domestically in to compete globally. Sustained engagement with Asia is also key, but it is important to recognize the limits of what governments can do. Policy enables and supports. Ultimately though, it is up to businesses to explore the opportunities.

Policy changes introduced by China's central bank are slowly allowing the Renminbi's wider international use. SUPPLIED

#### CURRENCY SHIFT

## Bankers encourage Canadian businesses, government to embrace Chinese Redback

Many North Americans may have never heard of it, but within five years China's official currency – the Renminbi, or as it is otherwise known: the "Redback" or "RMB" – is expected to be a fully convertible and influential player in international trade and finance.

That inevitability – fuelled by China's steady ascent as the world's most powerful economy – has banking and trade experts encouraging governments and businesses that trade with China

to start dealing in the RMB sooner than later.

Shanghai-based Bruce Alter, head of Global Trade and Receivables Finance with HSBC China, says, "By 2015, you can expect one-third of China's total trade to be settled in RMB. Hedging against that will be important."

Mr. Alter says dealing in RMB already offers companies that trade with Chinese firms or have Chinese-based operations other advantages too. Among them, **Renminbi, Page APF 4**



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## CANADA-ASIA 2013



While Asia's growth means more business opportunities for Canada, higher R&D spending has boosted Asia's ability and capacity to innovate, increasing competition for Canadian businesses and Canada itself. ISTOCKPHOTO.COM

## For Canada, Asia's rise brings new business opportunities

If numbers tell a story, then the statistics coming out of Asia tell an exciting tale – of economies growing faster than those in North America and Europe; of an upwardly mobile region that by the year 2030 will account for 64 per cent of the global middle class and more than 40 per cent of global middle-class consumption; and of generous R&D investments that are boosting innovation in Asia.

Believe the headlines: Asia is ascending rapidly as an economic powerhouse that's expected to generate between 50 and 75 per cent of the world's GDP by the middle of the century.

"It's fascinating how the Asian economy is changing," says Peter Nesbitt, the Singapore-based regional vice president for Asia at Export Development Canada (EDC), which provides financial and risk management solutions that help Canadian companies do business abroad. "It's not just certain people's perceptions of what's going on over there – the changes are very real and very exciting."

For Canada, the rise of Asia presents both opportunities and challenges, says Mr. Nesbitt. The region's growing middle class is creating strong demand for

high-value and luxury goods, presenting Canadian companies with new consumer market opportunities.

"Thus far, Asia has been a source of manufacturing and not

so much consuming, but now that's all changing," says Tom Jenkins, executive chairman and chief strategy officer at OpenText, a Waterloo, Ont.-based global provider of enterprise informa-

tion management solutions.

It's not just the consumer market that's growing, says Mr. Jenkins. Business-to-business operations will also find plenty of opportunities in Asia. His own

company is seeing first-hand evidence of this.

"Our business in Asia is the fastest growing part of OpenText," says Mr. Jenkins.

While Asia's growth means more business opportunities for Canada, it also brings new challenges. Higher R&D spending has boosted Asia's ability and capacity to innovate, increasing competition for Canadian businesses and Canada itself; with a well-developed innovation capacity in Asia, foreign companies thinking about setting up operations in Canada may just decide to invest in Asia instead.

Faced with this new reality, Canadian companies would be wise to have a "seat at the table" or other companies will benefit, says Mr. Jenkins. They have to be ready and willing to collaborate with innovators in Asia. With the ubiquity of the Internet, social media and online collaboration tools, brainstorming with partners on another continent and in different time zones shouldn't be a problem, he says.

But many Canadian companies have not put in the effort and resources to get to know Asia, and those that have tend to be focused on China and India – an oversight that could prove to be risky given the planned integration of the 10 relatively smaller countries within the Association of Southeast Asian Nations.

The ability to adapt and innovate is a must for any business that wants to operate in Asia, says Mr. Nesbitt at EDC. Where North American companies typically base their sale prices on the cost of making their goods, in Asia pricing is often set by what the market can bear.

Given the region's powerful – and still growing – consumer group, Canadian companies that want to sell their products and services there will need to find ways to make their manufacturing and service delivery models more cost-efficient and reflect these efficiencies in their pricing.

"You need to innovate to get to the price point that will meet the needs of the Asian consumer," says Mr. Nesbitt. "Some companies may balk at that, but it's the reality of doing business in Asia, and it's actually a good thing because in the end you're improving your processes."

### ASIA'S NEW TASTE FOR LUXURY

From consumers to state governments, Asian customers are increasingly demanding the best as the region's economy continues to grow.

According to a 2012 report by PwC, a global professional services provider, the Asia-Pacific market has become a major market for major luxury brands, such as Prada and Gucci. In 2011, the region accounted for almost 30 per cent of major luxury brand revenues, up from 26 per cent the previous year.

It's not just luxury goods that are gaining wallet share in Asia; computers, personal mobile devices, domestic appliances, wine and health foods are also getting snapped up by Asian consumers.

When it comes to art, Asia is transforming the global art market, with countries such as China, Singapore and Indone-



Bing Thom of Vancouver-based Bing Thom Architects. SUPPLIED

sia experiencing significant growth – as much as 49 per cent – in art auction revenues in 2011, according to a recent report by Artprice, which provides art market information and auction services.

Canadians are well equipped to respond to this demand, says Bing Thom of Vancouver-based Bing Thom Architects, an award-winning firm that has done projects in China – including the Canadian showcase at the 2008 Beijing Olympics – and that recently won an

international competition to design and build the Xiqu Centre in Hong Kong, which will be dedicated to Chinese opera.

"Canadians are very good and highly creative – in architecture, industrial design, fashion and in so many other areas," says Mr. Thom, who has also worked in Singapore and Japan.

Our multicultural population means Canadian companies can easily find talent to serve the Asian market. Canadians' ability to forge international connections and collaborate across multiple disciplines are also competitive advantages in this new economy.

But Canadians will also have to up their game, says Mr. Thom.

"Right now the best of the best is in Asia. We have to work really hard to stand out, and I believe we can do it."

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## ASIA COMPETENCE

# Task force aims to increase Canadian understanding of Eastern cultures, literacy

From the classroom to the boardroom, organizations across Canada are developing strategies to increase Canada's "Asia competence" – our ability to work and trade with rising economic powers across Asia.

Asia competence is described as everything from proficiency in an Asian language, experience living and/or working in a country such as China and mastering the "cultural cues and nuances" that help Westerners interact in Asian cultures, according to the National Conversation on Asia, an initiative of the Asia Pacific Foundation of Canada (APF Canada).

Part of APF Canada's strategy to deepen Canada's knowledge of and experience in Asia is through a task force co-chaired by Canada's former ambassador to China, David Mulroney, and Janet De Silva, Dean of Ivey Asia in Hong Kong. The task force will focus in particular on the best ways to include more Asian studies and languages in school curriculums, to help educate and prepare the country's future workforce.

"Our challenge in Canada is that we need far more people with these types of skills if we are to successfully engage a rising China," said Mr. Mulroney, who is also a senior fellow at the Munk School of Global Affairs, which is partnering with APF Canada on the task force.

Mr. Mulroney points to public schools in places such as Edmonton and part of B.C.'s Lower Mainland that are already introducing Asian studies and languages into their curriculum.

"It's important to know about Asia as we traditionally learned about Europe and North America," said Mr. Mulroney.

There are skills that Mr. Mulroney said employers will increasingly look for in potential job candidates, as more companies do business in countries such as China, South Korea and Taiwan.

"You can't have two operations; you have to have a seamless operation, and that means people who can go back and forth between them," Mr. Mulroney said.



Former Canadian ambassador to China, David Mulroney, is co-chairing an Asia Pacific Foundation task force now examining ways to include more Asian studies and languages in Canadian school curriculums. The task force's goal is to help educate and prepare Canadian youth for work and stronger ties with China. SUPPLIED

Maureen Neglia, vice president, global talent at Manulife Financial, said her company is increasingly seeking out talent with experience and knowledge of Asia, especially as it grows its operations in the region.

Manulife has almost 28,000 employees at its operations around the world, which includes 11 countries and territories in Asia.

"Canadians need to have the right skills and experience to be able to go and compete with talented people already in that market," she said.

Ms. Neglia, who also sits on the APF Canada task force, said the school system across Canada needs to include and expand its Asian language skills programs and ramp up teachings about the culture and politics of the region.

"It is going to take us at least a generation to build the national curiosity for that part of the world," Ms. Neglia said. "And as a country, we need to build these skills, as it's going to be an even more significant part of the world economy in the future."

## In the future, 2013 will be remembered as the year of the renminbi.



In the Chinese calendar, 2013 is the year of the snake. For businesses around the world it is set to be the year of the renminbi (RMB). If you're already doing business with China, or considering it in the future, there could be real advantages in being RMB ready. In fact, 41% of Chinese companies are willing to offer better terms of 3% or more when trading in RMB.\*

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CANADA-ASIA 2013

AGREEMENTS

# Solidifying trade deals should be higher on Canada's agenda, say experts

Canada needs to be more active in forging trade ties with Asia if it wants to be globally competitive long term, experts say.

While Canada recently joined the Trans-Pacific Partnership (TPP) trade negotiations and has been in ongoing trade talks and protection agreements with some Asian countries, it has yet to conclude any free trade agreements in Asia.

"We haven't been aggressive enough in terms of the Asian markets over the last several years," said Don Campbell, a senior strategy adviser with Davis LLP and distinguished senior fellow at the Asia Pacific Foundation of Canada (APF Canada).

"I think there has been a lot of North American focus, which is important, but we need to look at diversification," added Mr. Campbell, who is also a co-author of the APF Canada task force report *Securing Canada's Place in Asia: Means, Institutions and Mechanisms*. The report argues that success in Asia takes not just a whole-of-government, but also a "whole-of-country approach."



**"We need to make sure Canadian companies don't lose out on those market opportunities to countries that have a better trading relationship with these economies."**

Jayson Myers is President and CEO of Canadian Manufacturers & Exporters

Mr. Campbell said it's up to the government and business across Canada to develop a long-term, sustained, co-ordinated strategy for Asia.

"It needs to be a concerted action and a sustained action," said Mr. Campbell, adding that once an agreement is made, it's up to the private sector to make it happen.

"It matters to Canada because Canada is a very export and import dependent country for our economic success and for jobs, and one of the most dependent countries in the world on trade," noted Mr. Campbell.

Jayson Myers, president and CEO of Canadian Manufacturers & Exporters, Canada's largest industry and trade association, said trade with Asia is important for Canada to take advantage of some of the fastest-growing and richest economies in the world, which are in the Pacific Rim. That includes China, Taiwan, South Korea and southeast Asia, but also the U.S., Mexico and Chile.

"These are where the business opportunities and the future will be," said Mr. Myers. "We need to make sure Canadian companies

don't lose out on those market opportunities to countries that have a better trading relationship with these economies. We also want to make sure we are providing Canadian businesses with the best access and the clearest rules of the game in these economies."

That trade just isn't country-to-country, but within the supply chains, most of which are connected to Asia, Mr. Myers said.

"We need to be negotiating these agreements along with our other trading partners ... to develop a common approach to what we are trying to achieve," said Mr. Myers, adding that the agreements should also enhance agreements already in place with countries such as the U.S. and Mexico with the North American Free Trade Agreement (NAFTA).

V. Paul Lee, managing partner, Vanedge Capital and one of Canada's three representatives to the Asia Pacific Economic Council's Business Advisory Council, said the TPP has the most ambitious agenda, at this point.

"The question now is can they move from all of those negotiations to an agreement that really opens up the region for more free

trade, and how comprehensive will that be," said Mr. Lee.

In particular, Mr. Lee would like to see more open access in services in the free trade negotiations, such as in digital media, where his company invests and where he thinks Canada can increase its participation in Asia.

"Most of the goods Canada exports are commodity related and trade relatively tariff free," said Mr. Lee. "When you look at Canada, increasingly we are a nation that is not just commodities, but higher value-added services."

He said negotiations need to include areas in which the government is already focusing attention, including investor protection, safety standards for goods, rules for origin, and procedures for tracking and audit of goods.

"It's critical for Canada to be involved in these trade discussions," added Mr. Lee. "We need to ensure that we have additional markets beyond the U.S. that will allow us to have more stable employment and more jobs for Canadians. Access for our goods and services to the biggest population base in the world is critical for additional job growth in Canada."

FROM APF 1

## Renminbi: Dealing in Chinese currency today brings immediate advantages



Bruce Alter, head of Global Trade and Receivables Finance with HSBC China, expects that by 2015 one-third of China's total trade will be settled in RMB. "Hedging against that will be important." SUPPLIED

he cites "discounts and other preferences, including elimination of FX (foreign currency)

taxes. Often, the person willing to use the RMB gets the business."

Mr. Alter says using the RMB can also help foreign companies with profitable subsidiaries in China to optimize surplus liquidity. Newly introduced exceptions now allow corporations to lend RMB to overseas operations. "If your foreign entity is exporting overseas, it can be allowed - through an exception - to open one RMB account overseas in order to pay overseas customers," says Mr. Alter.

Measures like these are a tiny reflection of sweeping policy changes now being gradually introduced by China's Central Bank with an aim to steadily

establish the RMB among the world's reserve currencies.

"Emerging markets like China need to be sure that they have the strengths of the full financial system to mitigate risks related to global capital flows," says Hong Kong-based Hongbin Qu, HSBC's co-head of Asian Economics Research and Greater China chief economist.

The RMB is proving popular. Since introducing the offshore RMB four years ago, holdings have doubled from about \$3 billion to \$6 billion today.

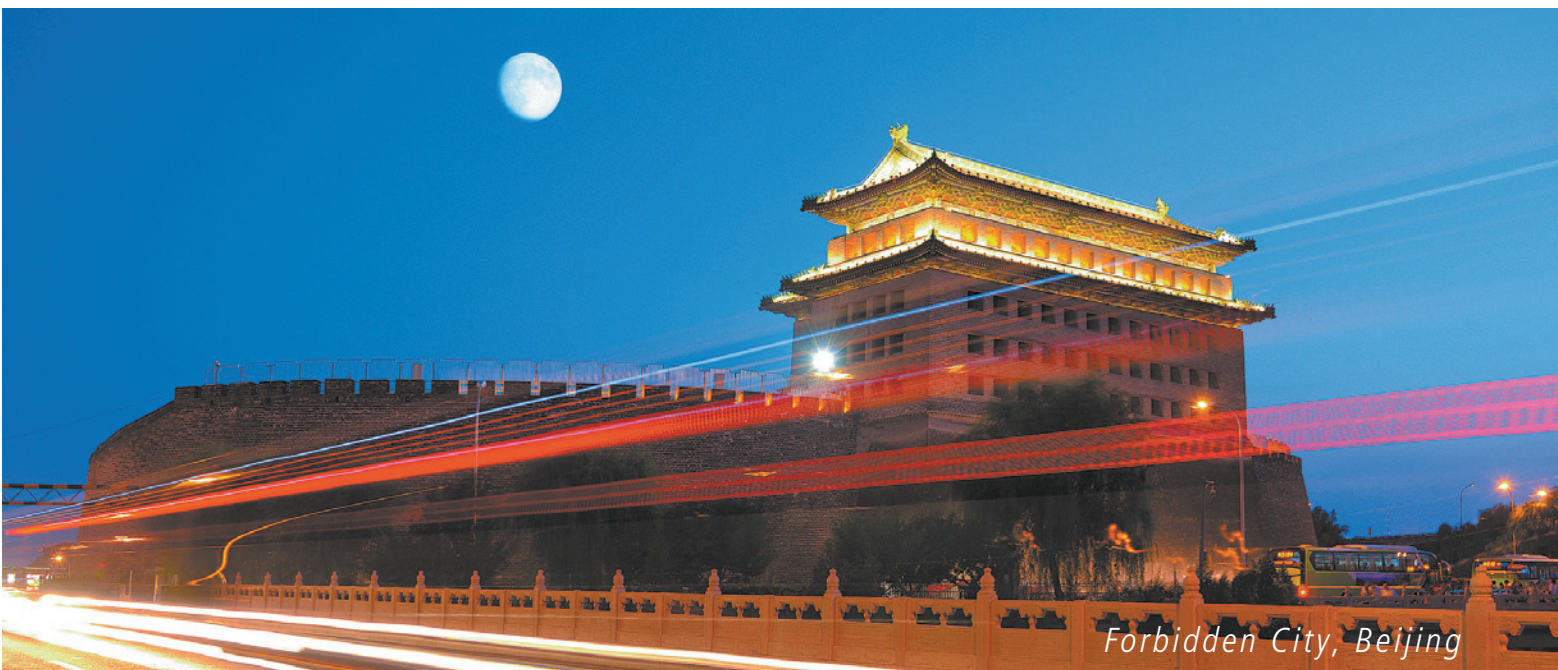
Mr. Qu says some six or seven foreign banks, including Australia's central bank, are now seeking to allocate some five per cent of their foreign reserves into offshore RMB reserves. Meanwhile, other countries including the UK and France are moving to implement RMB clearing centres. He says these developments show "China is simply too big to ignore."

Mr. Alter adds, "If there is a local RMB centre, that will mean companies and investors will have much easier access to an RMB pool, whether they are buying or selling. This will help reduce the frictional cost of doing business across borders."



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Forbidden City, Beijing

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