



ENGAGING ASIA: ADVANCING CANADA'S BUSINESS AGENDA WITH APEC PARTNERS

ABAC CANADA
EXECUTIVE
ROUNDTABLE

JUNE 2, 2015 | TORONTO, ON



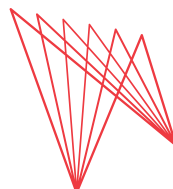
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ABAC CANADA EXECUTIVE ROUNDTABLE

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SUMMARY REPORT

The Asia Pacific Foundation of Canada (APF Canada) and Canada's APEC Business Advisory Council (ABAC) hosted an executive roundtable in Toronto on June 2, 2015. The roundtable, supported in part by Foreign Affairs, Trade and Development Canada, Sun Life Financial, Huawei and Export Development Canada, brought together 63 participants for a full-day roundtable to discuss private sector policy issues in Canada-Asia relations. The discussions centred on regional trade talks, labour mobility and management, internationalization of SMEs, infrastructure financing, Canada's trade priorities in the region, and institutional engagement through ABAC and APEC.

The objectives of the roundtable were to: 1) build a constituency of Canadian business leaders actively engaged with APEC processes and well-informed about Canada-Asia trade and investment policy issues; 2) support the success of Canada's trade policy objectives as outlined by the Global Markets Action Plan by engaging with key markets and sectors in the Asia Pacific region; and 3) facilitate Canada's private sector input in APEC processes and enhance Canada's representation in policy and business networks across the Asia Pacific region.

The following provides highlights of the key issues or challenges raised at the roundtable and provides recommendations and follow-up considerations for different stakeholders.

Regional Trade Talks in the Asia Pacific

There was a general view that given the growing complexity of global value chains and the breakdown of the multilateral trading system, more economies were seeking to join comprehensive regional agreements that could respond to the changing nature of business. One commentator noted that bilateral FTAs were no longer suited to the current global value chain model. Regional agreements were viewed as fundamentally important because a well-structured agreement could increase trade and investment to support jobs and growth.

One commentator noted that some degree of caution was needed in understanding what could be accomplished through regional trade agreements. Questions remain about the extent to which tariff schedules will be negotiated on a 'Most Favoured Nation' status and how the rules of origin will work. Furthermore, complexities exist in addressing sensitive products (e.g. agricultural products, motor vehicles) and non-tariff barriers, particularly technical barriers that affect more than 30% of trade. Services and investment, which represent an important part of trade, have less quantifiable barriers that need to be addressed. Beyond that, behind-the-border challenges remain in the areas of intellectual property, government procurement, state-owned enterprises, standards of workers and environmental protection. It was noted that even if agreements were concluded, deals face uncertainty due to political opposition and concerns about economic sovereignty.

Participants discussed the prospects of concluding the Trans-Pacific Partnership (TPP), noting the importance of the US House decision to authorize 'fast track' trade promotion authority in mid-June as key to advancing negotiations. There was cautious optimism expressed by some commentators about the amount of political capital being placed behind the trade deal in the United States.

In discussing Canada's participation in specific free trade talks, it was noted that many Canadians remain unaware of the importance of free trade agreements and what kind of impact they have on business. Important considerations raised for Canada in the context of TPP negotiations included: the role of global value chains, TPP as the renovation of NAFTA, and the outcome of Japan-US negotiations on market access issues. Participants asserted that there was a role for Canadian businesses and ABAC Canada to play in helping Canadians better understand FTAs.

Numerous participants shared the opinion that opening agricultural markets would be beneficial for Canada as a global exporter. It was viewed that Canada had a major opportunity to effectively compete on the international stage as a large exporter of agriculture and agri-food products. However, participants thought Canada's current supply management system was constraining Canadian companies' ability to export easily, affecting Canada's negotiating position in trade talks, and leading to some missed export opportunities in the region. For example, it was noted that China's dairy demand is forecasted to grow at 6% per annum in the foreseeable future while the ability for local farmers to produce dairy is 5% per annum at max, leaving a growing shortage.

Canada was encouraged to take a longer-term strategic view on trade in considering both potential domestic reforms and the Free Trade Area of the Asia Pacific (FTAAP). It was noted that a gold-standard, high-quality TPP agreement could serve as a good model for future regional trade agreements such as FTAAP. Furthermore, the success of the Trade in Services Agreement (TiSA) in getting beyond goods issues and bringing on board new countries, like China, would be a useful indicator of the viability for FTAAP. It was mentioned that several economies in the region are already moving beyond discussion of TPP to focus on FTAAP as the long-term opportunity for the region.

In discussing global supply chains, Canadian companies were encouraged to consider how they could add value not only in Canada, but also how they could invest more in products and services on the other side of the world and add value closer to the consumer. The Canadian business community was also encouraged to push for global data standards to promote more coherent trade and services that could help Canadian businesses more easily immerse in global supply chains.

With respect to trade discussions with China, it was noted that a rebalancing of the trade relationship was needed before Canada would explore FTA options with China. With India, it was noted that there was a work plan scheduled for September 2015, leaving a pathway forward for the conclusion of a Canada-India free trade agreement.

Labour Mobility and Management

This session focused on the changing realities of the labour landscape and explored potential ideas for addressing some of the challenges related to labour mobility and management in the Asia Pacific region.

Some of the main concerns raised by participants related to talent mismatch, accreditation and skills recognition, fostering an environment for entrepreneurship, and the lack of global experience amongst Canadian youth.

It was recognized that Canada's job landscape, as well as that of many economies in the Asia Pacific region, has shifted from more blue-collar oriented 'analog' roles from the 1970s to the 1990s to service-oriented roles in today's digital and knowledge-based economies. Jobs now require employees to have multiple sets of talents with a more team-oriented and flexible approach. To effectively tackle talent mismatch, solutions need to move beyond 'analog type' solutions.

Building on the 'Earn, Learn and Return' model that ABAC is currently exploring to address some of the talent mismatch and accreditation concerns in the Asia Pacific region, it was suggested that APEC consider developing a 'badging' system where experience-based knowledge and skills accreditation given by employers or industry associations could be transferred across borders. Such systems are currently in place in the high tech and shipping sector and could be developed for the healthcare sector, among others. A key challenge would be to ensure that badges have the necessary rigor and validation to be recognized as legitimate and represent the knowledge base. It was recognized that if the 'badging' system becomes a currency for employability, universities' education systems would need to respond due to market demand.

In discussing labour mobility initiatives, some participants raised questions about how Canada can be more competitive to attract and retain international talents. A suggestion was raised for Canada to consider raising its immigration levels to meet longer-term challenges as Canada faces an aging demographic and the need for talent. Others raised the issue that it was important to establish reciprocal relationships on labour mobility between economies so that both or all economies feel the benefit from labour mobility.

Given that young Canadians and immigrants are facing difficulties finding jobs, it was noted that more are turning to entrepreneurship to create their own jobs. It was recognized that universities and governments can play a bigger role in providing opportunities and resources for student entrepreneurs to start-up their own SMEs.

For Canada to maintain a competitive edge with its talent in the future, it was reiterated that there was an opportunity for Canadian youth to become more global. Presently, the number of Canadian students participating in study and work opportunities abroad is only a third or half of international students coming in. Several recommendations to boost Canadian youth experience abroad included: 1) expanding Canada's working holiday programs with more Asia Pacific economies; 2) offering junior year abroad to help entrepreneurial students explore and learn about opportunities in new markets; 3) encouraging Canadian high schools to provide curriculum on Asia and Asian languages to help students familiarize with language and culture; 3) encouraging more Canadian businesses to help students/new recruits develop a global perspective by hosting exchanges in Canada and the Asia Pacific; and 4) developing a program similar to the United States' Peace Corps to encourage Canadians to go abroad and volunteer.

With respect to the recent changes made to the Temporary Foreign Worker Program, some participants raised concerns about delays and interruptions affecting sectors with talent shortages, such as digital media and technology. It was recommended the government consider a more streamlined process for the Temporary Foreign Worker Program, which is currently handled by three different departments (Citizenship and Immigration Canada, Employment Skills Development Canada, and Service Canada).

Heightening SME Engagement in Regional and Global Markets

This session examined the key barriers that SMEs face in going global and the measures that can be taken to support a more robust, innovative and inclusive environment for SMEs looking to participate in global markets.

At the outset, the discussion on internationalizing SMEs was prefaced by noting that the majority of Canadian SMEs remain focused on meeting the needs of the domestic market and that not all products or services are exportable. Having said that, countries like Switzerland where 69% of SMEs export their products, and states like Illinois where exports to China have rapidly expanded from \$900 million to \$5 billion over the past decade, offered useful examples of the potential for Canada's SMEs to capitalize on market opportunities abroad.

It was noted that currently 41 percent (C\$150 billion a year) of Canada's overall exports are represented by SMEs. The leading markets in the Asia Pacific region for Canadian SMEs exporting to the region are China, Japan, India and South Korea.

The key challenges identified for Canada's SMEs in going global included: 1) lack of senior management time; 2) lack of resources for market research; 3) difficulty finding overseas customers, distributors and partners; 4) ability to produce to scale; 5) limited access to financing; and 6) lack of awareness of tools available and markets opened up for them. For SMEs looking specifically at trade opportunities in Asia, other challenges related to shipping costs, tariffs and duties, rules and regulations, the complexity of international trade and cultural sensitivity were highlighted.

One commentator noted that the recession of 2008 had a positive impact in terms of shifting the attention of SMEs onto the opportunities in international markets. However, now, there is a risk that SMEs will shift their attention back to the United States as its economy recovers. This will stymie progress in further building connections to other parts of the world.

To address some of these concerns, various local and APEC-related initiatives were highlighted as potential opportunities for Canadian SMEs to develop capacity, make connections and market their products and services more broadly. The Trade Accelerator Program (TAP) GTA was highlighted as a new initiative of the Toronto Region Board of Trade to assist local SMEs to build their capacity by gaining the resources and expertise to navigate global markets. The federal government's Go Get program was also raised as a mechanism to help SMEs explore opportunities abroad.

In the context of APEC, more SMEs were encouraged to participate in the upcoming APEC SME Summit on November 17, 2015 in Manila, as well as the APEC CEO Summit from November 16-18, 2015 also in Manila to build up vital personal connections in the region. Participants were also made aware of the APEC Business Travel Card, of which Canada is a transitional member, which offers greater business mobility for Canadian business travellers in the 21 APEC economies. Participants were also informed about the APEC Framework for Innovative SMME Financing Mechanisms, which outlines policy measures for APEC economies to expand access to financing for SMEs through newer, innovative mechanisms such as crowd funding.

Many SMEs face difficulties trying to penetrate complex value chains that are constantly changing, disappearing and forming. To keep up with these changes, SMEs were encouraged to expand their use of digital technologies to help them navigate complex value chains and connect to international opportunities through the online and services world. Tools such as Google's Export Map, Shopify and ABAC's Cross-Border E-commerce Training workshops were cited as useful mechanisms to support more SMEs in going global online.

It was recommended that the government continue its efforts in negotiating free trade agreements to reduce and eliminate border-related paper work and tariffs. It was also recommended that Canada leverage its strong reputation for quality and safety in global markets to increase its SME trade in Asia in areas such as food supply and food security.

An important question raised for ABAC/APEC was how it could expand its outreach to get information out to more Canadian SMEs looking to internationalize. It was noted that APEC's work on SMEs was practical and easy to understand, but there was little connection between APEC's work and Canadian SMEs. It was noted that Canadian SMEs need to be more connected and integrated with each other within local communities to form relationships that will help them tap into Asian markets. In addition, international students studying in Canada were identified as a huge, untapped resource to foster connections and expand business opportunities for SMEs abroad.

To penetrate new markets where systems solutions and production to scale could be challenging for SMEs, it was recommended that SMEs explore the opportunity to partner with other SMEs, both domestically and internationally, to do work in Asia. Furthermore, governments were encouraged to explore the 'Global Cities' pilot project for targeted trade missions that look at a specific type of project and in doing so are engaging SMEs in the entire supply chain of a jurisdiction.

Expanding Canada's Stake in Asia's Growing Infrastructure Market

The Asian Development Bank estimates that Asia needs eight trillion dollars in national infrastructure and about 300 billion dollars in regional infrastructure spending. The emerging Asian economies of China, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam are expected to account for about 50-60% of global infrastructure spending by 2025, up 30% from 2012.

Given the substantial infrastructure deficit in the region, accelerating sustainable infrastructure development and investment is a key priority for APEC leaders. This session highlighted numerous challenges that Asian economies face in attracting infrastructure investments from international investors, as well as opportunities for Canada to leverage its strengths to contribute to infrastructure development in the region.

One of the key challenges for infrastructure investment in the region is the lack of bankable projects. Whether a project is bankable depends on the quality and security of the asset, as well as its future cash flow. Rather than a lack of funds, there is a low supply of bankable projects to attract potential banks, pension funds and private investors. It was noted that ABAC is making an effort to help governments develop a pipeline of bankable projects through the Asia Pacific Financial Forum (APFF), a public-private sector forum which reports directly to APEC's Finance Ministers, and the Asia Pacific Infrastructure Partnership (APIP), a regional structure to enable governments and the private sector to discuss complex matters related to infrastructure finance and enhance understanding of the issues and risks they face.

Another challenge that Asian economies need to address is the lack of investor confidence to finance infrastructure projects given the long pay back periods of 10-20 years and uncertainty about the predictability and transparency of laws and regulations in certain Asian economies. Moreover, Asian governments need to develop a more conducive environment for pension funds in Asia by addressing local funding and legal structure issues.

Multilateral banks or other financial institutions play a critical role in encouraging private sector support given that private sector investors are unwilling to invest unless multilateral institutions take on some of the risk. In discussing the Asian Infrastructure Investment Bank (AIIB), it was noted that the ADB plans to cooperate with AIIB if it can uphold key accountability measures of good governance, safeguards, environmental protection, debt sustainability, and open and fair procurement practices.

Canada, as a recognized leader on Public-Private Partnerships (PPP), has supported the dissemination of best practices globally by supporting the PPP Centres in Indonesia and the Philippines. Given the strong push to promote Canada's PPPs internationally and given PPP Canada's role in documenting leading practices on PPPs and building tools and guides for interested parties, comments were raised about the opportunity for PPP Canada to broaden its current domestically-focused mandate to become more international.

For infrastructure investments in Canada, it was noted that Canada has done over 200 projects worth over 70 billion dollars. There were questions raised about how PPPs could be restructured to encourage more Canadian pension funds and insurance companies to invest in projects locally. The Canadian government was also urged to consider ways to increase its ancillary revenues for public infrastructure assets to create a more consistent cash flow. Japan and Hong Kong were cited as two countries that have found sustainable ways to fund their transit infrastructure projects through ancillary revenues.

Making Canadian Businesses Matter More: APEC 2015

This session focused on the ways in which Canada's business community could raise its profile and leverage business development opportunities through APEC and ABAC. While Canada is recognized for making notable contributions to ABAC and carrying goodwill in the region, there was a general sentiment among participants that Canada was 'missing the boat' in terms of leveraging its strengths and reaching its potential to build Canada's commercial and economic engagement through APEC and ABAC.

Several participants noted that an insufficient number of Canadian businesses were aware of APEC, ABAC and the importance of the Asia Pacific for Canadian business more generally. It was noted that even if they are aware, some do not take it seriously or fully understand the benefits of being involved with APEC and ABAC. Several participants linked the lack of attention and awareness to several factors

including: 1) the United States viewed as a first choice for business due to proximity and familiarity thus a lack of desire to expand beyond; 2) a lower affinity and linkage to Asia among Canadians based in the East Coast as opposed to those in the West Coast; and 3) limited human and financial resources for ABAC Canada to do extensive outreach and promotion within Canada.

For Canada to more effectively promote its agenda in APEC and ABAC, several recommendations were proposed. First, government and businesses were encouraged to better align and coordinate their resources and strategies to effectively advance key priorities of mutual interest through international forums. Second, it was recommended that Canada consider what issues it wants to lead on and be very specific about its priorities in ABAC and APEC. Third, it was recommended that ABAC Canada and the government develop a stronger value proposition for SMEs and big companies to get involved in APEC by customizing its pitches. Fourth, it was recommended the government consider dedicating more financial and human resources to support ABAC Canada's ability to do outreach with Canadian companies, especially SMEs. Fifth, local business leaders who are already promoting trade with Asia were encouraged to play a more active role in reaching out to the rest of the Canadian business community to build a better understanding about the opportunities in the Asia Pacific region, and how APEC/ABAC can help them do business in the region. Sixth, more Canadian businesses were encouraged to show up at APEC and ABAC events to understand the power and importance of ABAC. Seventh, it was recommended that ABAC Canada align its roundtables with the ABAC cycle so that the Canadian business community could provide input when priorities for the next year are being set.

Several opportunities for Canadian businesses to engage in ABAC and APEC were highlighted, including: 1) the APEC CEO Summit, a premier platform for APEC leaders and business executives to discuss Asia Pacific economic issues and promote regional trade, investment and cooperation; 2) APEC Public-Private Dialogues, a dialogue between private sector representatives, senior officials and public officials; 3) APEC SME Summit, a meeting for small business owners, entrepreneurs and opinion leaders to network, develop business partnerships and share best practices; 4) Ministerial CEO roundtables bringing together APEC Ministers and senior business leaders to discuss policy issues; and 5) ABAC Dialogue with Leaders, meeting with ABAC members and APEC Leaders to discuss policy recommendations to promote regional economic integration in the region.

To effectively promote more Canadian business engagement in Asia, several participants raised broader issues for consideration in Canada's broader engagement strategy with the region. First, it was raised that Canada needed to take a global view, not just a national view, when developing policies and strategies for engagement with the region. Second, it was noted that Canada has a tendency to fragment itself, presenting a confusing picture of what Canada is to foreign countries. Canada needed to brand itself and then businesses could help internationalize the brand. Third, it was recommended that government, business, APF Canada and associations continue to do outreach with Canadians informing them about the opportunities in Asia and reminding them that the whole of Canada is a Pacific nation. Fourth, Canada needed to take advantage of its youth, particularly those of second generation immigrants with linkages to other countries in the world, to become part of the country's public policy strategy to foster greater cultural understanding and act as a bridge to the region.

TUESDAY, JUNE 2

7:45-8:30 AM	Continental Breakfast
8:00-8:30 AM	Registration
8:30-8:40 AM	Welcome Remarks
8:40-10:00 AM	Global Insights: Regional Trade Talks in the Asia Pacific
Moderator:	Don Campbell Senior Strategic Advisor, DLA Piper and Co-Chair, Pacific Economic Cooperation Council
Panelists:	Matthew Kronby Partner, Bennett Jones LLP
	Tony Nowell Founding Director, Valadenz Limited and Member, ABAC New Zealand
	Alex Parle Executive Vice-President, National Center for APEC
10:00-11:20 AM	The 21 st Century Global Worker: Mobility & Management
Moderator:	Scott Bradley Vice President, Corporate and Government Affairs, Huawei Canada
Panelists:	Doris Ho President and CEO, Magsaysay Group of Companies and Member, ABAC Philippines
	Sheldon Levy President and Vice-Chancellor, Ryerson University
	Mark Newcombe International Trade Policy Advisor, Citizenship and Immigration Canada
11:20-11:30 AM	Coffee Break
11:30-12:30 PM	Canadian SMEs: Heightened Engagement in Regional and Global Markets
Moderator:	Suzanne Benoît President, Aéro Montreal and Member, ABAC Canada
Panelists:	Janet De Silva CEO, Toronto Region Board of Trade
	Dan Kelly President and CEO, Canadian Federation of Independent Business
	Paul Lee Managing Partner, Vanedge Capital

12:30-1:30 PM	Networking Lunch
1:30-2:45 PM	Expanding Canada's Stake in Asia's Growing Infrastructure Market
Moderator:	Dwight Duncan Senior Strategic Advisor, McMillan LLP
Panelists:	Kim Butler Vice-President, Strategy and Organizational Development, PPP Canada
	Craig Steffensen Representative, Asian Development Bank
	Hiroyuki Suzuki Director, Nomura Holdings and Member, ABAC Japan
2:45-4:00 PM	Making Canadian Businesses Matter More: APEC 2015
Moderator:	Stewart Beck President and CEO, Asia Pacific Foundation of Canada
Panelists:	The Honourable Perrin Beatty President and CEO, Canadian Chamber of Commerce
	Deborah Close President of Production Services, Tervita Corporation and Member, ABAC Canada
	Doris Ho President and CEO, Magsaysay Group of Companies and Member, ABAC Philippines
4:00-4:15 PM	Coffee Break
4:15-5:00 PM	Canada's Trade Agenda in the Asia Pacific: A Federal Update
Moderator:	Stewart Beck President and CEO, Asia Pacific Foundation of Canada
Speaker:	The Honourable Ed Fast Minister of International Trade, Canada

ABOUT APF CANADA

The Asia Pacific Foundation of Canada (APF Canada) is a not-for-profit organization focused on Canada's relations with Asia. Our mission is to be Canada's catalyst for engagement with Asia and Asia's bridge to Canada. We do this by partnering with both the private and public sector.

A leader in research and analysis on Canada-Asia relations for over thirty years, APF Canada has developed strong ties with policy-makers, business leaders, academics, and opinion makers in Canada and throughout the Asia Pacific region.

Our current themes are:

- Promoting Trade, Investment, and Innovation
- Building Skills and Competencies
- Mobilizing Energy Assets
- Understanding Asia Now

For more information, visit www.asiapacific.ca.

Publications

The Asia Pacific Foundation of Canada has a series of publications that are available via subscription and online at www.asiapacific.ca.

- Canada-Asia News Service
- Canada-Asia Agenda
- National Opinion Polls
- President's View
- Canada-Asia Viewpoints
- Research Reports
- Taskforce Reports
- Emerging Voices on Asia Blog

APEC-Related Networks

The Asia Pacific Foundation of Canada serves as the secretariat for Canada's APEC Business Advisory Council (ABAC) and Canada's National Committee for the Pacific Economic Cooperation Council (PECC).

The APEC Business Advisory Council (ABAC) is a permanent high-level business advisory group created by the Asia Pacific Economic Cooperation (APEC) forum in 1995 as a direct channel for

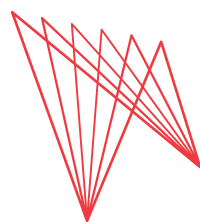
business input into the APEC work program. ABAC brings together three senior business executives from each APEC economy that advise Leaders and Ministers on priority concerns for the private sector in the areas of trade and investment liberalization and business facilitation. ABAC meets three times a year to develop its report and recommendations to APEC, which it delivers to APEC Leaders at their yearly meeting. For more information about Canada's APEC Business Advisory Council, please contact abaccanada@asiapacific.ca.

The Pacific Economic Cooperation Council (PECC) is a unique partnership of academic, business and government representatives from 25 Pacific Rim economies seeking closer economic cooperation in the region. PECC's tripartite approach is applied to a variety of policy research projects on such issues as trade policy, financial markets development, energy, and sustainable cities. PECC has official observer status within the Asia Pacific Economic Cooperation (APEC) forum and is involved in a number of research activities on behalf of the regional grouping.

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