



"Canada and Asian Opportunities"

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Check Against Delivery

It's a pleasure to share the stage today with so many respected and knowledgeable voices on this subject, several of whom I'm fortunate to know – one of whom I happened to work for a while back.

People sometimes ask if I miss political life.

No.

But it can be fun to reminisce. I'll tell you a quick story.

I spent the last five days of the 2008 campaign with the Prime Minister on the bus and the plane in swing ridings. He called me to the back of the bus 36 hours before the campaign ended.

I have good news and bad news, he said.

Oh yeah, I said. Let's have the good news first.

Well... He said... I'm going to Montreal and Calgary. You are going to Windsor. You are going to do a 'tarmac rally' at the airport.

Great, I said. I've never done a tarmac rally. They are like the best thing in politics. On the tarmac. Crowds. Cheering. It is every politician's dream...a "tarmac rally".

What could possibly be the bad news?

Well, the Prime Minister said: "I'm taking the plane with me."

So, my last political address was a Winsor airport tarmac rally barnburner... delivered not from the steps of an airplane, at the airport, in front of the terminal, on the tarmac...but from the back of a flatbed truck.

Possibly a Canadian first.

Presumably a Canadian last.

But my partisan days are long behind me. I'm a banker now, happily so, and very much involved in working with our clients to find and explore new opportunities across a rapidly changing world. It won't surprise you to learn that my travels take me frequently to Asia. In fact, I just got back.

It's been quite edifying and rewarding to listen today to the various assessments, forecasts, ideas and strategies related to the Canada-Asia relationship.

Above all, it's been encouraging to witness the broad awareness that Canada's prosperity has been, and will forever be, linked to our ability to trade.

We can't afford to forget: we are the world's eighth largest exporter, and seventh largest importer. We trade in minerals, agriculture, lumber, manufacturing, in the many services we provide and, of course, in energy. Overall, trade accounts for almost two thirds of our total economy and exports account for a third of our GDP.

Ensuring that we remain open for business – and free of regulations that don't accomplish their intended ends– will always be critical.

But ensuring that we explore and expand into new and emerging markets – that we win new business and new customers – is every bit as essential to our success and future prosperity.

As a relatively new member of Canada's financial community, I am often asked what has struck me most in my Canadian and my international discussions with clients and investors. And the not so simple answer is how truly global financial and capital flows are in today's integrated economy. And this is why our conference topic today is so timely and so important.

The United States has long been, and will always be, a core trading partner. But we are too dependent on them. Name me a single, great trading nation that has only one customer. Quite simply, there aren't any. We need to recognize and respond to the urgent need to diversify beyond our biggest and best customer.

We need to do that for three reasons.

First, to help cushion the blow during times when the U.S. struggles economically. Times such as: recently, right now and the foreseeable future.

Second, to learn the hard lesson of our recent experience with the Keystone XL pipeline –being dependent on a single customer for any critical export is fraught with peril, even if that customer happens to be your best friend.

And third, we need to diversify because Asia is where the growth of today is, and where the growth of tomorrow will be.

By the middle of this decade, emerging economies are expected to account for more than half of the global production and consumption of goods and services. Certainly, they account for almost all global, incremental commodity demand. We need to be where the opportunities are if we want to maintain the same standard of living that we enjoy today. And we need to begin seizing those opportunities now.

As we turn our gaze to Asia, we do so with the confidence that, as Canadians, we possess a number of important advantages.

First, we have a lot of what the world wants. We are leaders in the production and sale of oil, natural gas, uranium, hydro, potash, copper, diamonds, lumber, nickel, wheat and more. I have never advocated a future as 'hewers of wood and drawers of water' but we do have natural resources in abundance, Asia wants them and there is no shame in being the most capable and efficient people in the world at producing them.

Second, Canada boasts a number of comparative advantages. We are arguably the world's most successful and cohesive multicultural society – with a strong Asian presence and influence. That's an important bond.

We have a well-educated, highly skilled work force, stable finances, a banking system that is the envy of the world, and stable, market-oriented governance. We have expertise in engineering and infrastructure development, finance, energy technologies, health care, education – all things that Asia needs.

Third, you will find no other G8 country – in fact no other country in the world has the ability to bring on energy infrastructure projects at the pace and relative scale of Canada. The investment is significant. And the list of projects on the drawing board is astounding, from the Lower Churchill project in Newfoundland and Labrador to the NorthWest Upgrader and other oil sands expansion in Alberta to the potential pipelines to the west coast.

We need to press ahead with these undertakings. Taken together, these planned infrastructure projects will fuel the next stage of Canada's development and job creation. They represent a fundamental economic driver for our nation as a whole – and a signal to the world that we have the capability and the desire to develop our resources and diversify our markets.

And fourth, we have in the past few years begun at last to make important inroads and progress with our relationships within Asia. Since June 2010, the federal government has started to build a modern "strategic partnership" with China. The bond between our two countries is growing stronger and more intricate. The relationship has clearly evolved from where it was just a few years back.

But the hard truth is that many significant challenges remain – in China and elsewhere throughout Asia.

To begin with, we have for all intents and purposes fallen behind much of the rest of the world in trade and trade policy.

We are a minor player in these growing Asian markets – less than 10% of our exports and less than 4% of outward investments go to these countries. We're barely on the radar.

We have also been outpaced by others. Australia has doubled its share of world trade over the past 10 years. Ours has halved.

Let me repeat that.

According to the Bank of Canada, Canada's share of the world export market fell from 4.5% to 2.5% and our manufactured-goods export market share has been cut in half. Australia's doubled in that same time.

And more troubling? Economies we spent years ignoring are now competing with us – and winning.

In the world of globalization you are either expanding or contracting, eating or being eaten; those who have figured all of this out will begin devouring the markets that Canada has traditionally relied on. It is already happening.

If we do not step up our game—if we do not catch up the ground we've already lost and move forward and expand, and do so with urgency —Canada will be left behind.

We all seem to grasp this on an intellectual level – but what are we doing about it as a country? Even now, 85 percent of our export trade remains focused on lower-growth, developed economies. Eighty-five percent. As a result, Canada's export performance from 2000 to 2010, based on trade growth, was the second worst among the G20.

So, how do we get to where we need to be?

Yes, we need a clear sense of priorities and a strategic direction that aligns with our market potential. Yes, the government must help lead the way in securing access in these markets, turning it into a national priority.

Indeed, as the Prime Minister heads to APEC I think it's worth stating that he gets this. He understands the importance of this relationship to the future of our prosperity, and is fully engaged in trying to build and strengthen it.

What we need more than anything else at this moment is action – now, today, before the gap we need to make up widens even further.

There is that old saying that the perfect is the enemy of the good – about the perils and pitfalls of trying to get everything exactly right before moving forward.

We know what needs to be done, as a country, we need to get moving. Right now.

I want to offer five steps we as a country can take in the short term to jumpstart this national strategy. Some of these have been proposed by others as well. This isn't a matter of pride of authorship, but rather a question of which actions will begin to reorient our economy.

First, we need to quickly conclude a Canada-China investment accord. There is so much more that both our countries can achieve if we work more closely together. But right now there exists a rather stark asymmetry of access. Over the past few years, China has become a significant investor in Canada - and especially in our energy sector. And Asian investment in Canada over the past three years, should the Nexen-CNOOC deal close, will total over \$45 billion. But right now there's more than twice as much Chinese investment in Canada compared with the Canadian presence there – and that gulf is growing by the year. We need to step up our efforts to ensure that we are on the right road towards reciprocity.

Second, we need to focus more broadly on deepening our trade relationships across Asia. It is important to stress that this is not only about China. Our government should work even harder to advance multilateral trade arrangements, especially the TPP; and to secure bilateral trade arrangements, especially with China, Japan and India. To achieve this ambitious goal, there is a need for more government resources and private sector acumen to staff such negotiations. A solid foundation was built with the unwavering efforts of Canada's exceptional Ambassador David Mulroney. And we will certainly benefit from and build on the recent appointment as Canada's new Ambassador to China, Guy Saint-Jacques, someone with a strong reputation as a negotiator and diplomat.

Again it is worth noting that Ambassador Fried, our envoy in Japan, is now heading up aggressive negotiations with Japan.

Third, we need to strengthen our cultural and educational ties. Economic success in a market is not built solely on the promotion of trade and investment; it derives from a broader network of social and cultural links. Canada currently has no mechanism or institution to provide a focal point for such efforts.

Fourth, we need to better promote business partnerships. We seem to have forgotten this. Life, politics, even banking, and especially trade are all about relationships. Our existing relationships, both diplomatic and business, are the key to better understanding the Asian markets. We should bolster Canada's consular presence in the most significant potential growth markets in Asia, increase the frequency and seniority of political, business and diplomatic trips to Asia, encourage Asian government officials to visit Canada .

Fifth, we need to ensure we keep our eye on the ball and achieve west coast access for our oil and natural gas. This is

for many a topic of intense sensitivity – but it is also a matter of extreme economic importance. There are a number of ways that this goal can be achieved and we should be willing to explore and consider them all if that's what it takes to get the job done.

The bottom line is this: The world is re-balancing towards Asia, and China in particular; Canada must re-balance with it. This will not happen without strong government leadership. To achieve success, Canadians must move quickly, with government spearheading the effort and corporations rethinking the way they do business in Asia.

At the same time, we must also be realistic. We are a small economy, trying to open up access to big, rapidly growing economies with whom everyone wants to do business. Frankly, we don't arrive at the table with the leverage that we sometimes think we have.

In most cases, we need market access to these big and growing economies more than they need us. China is Canada's 2nd largest trading partner, but we are only their 13th. South Korea is our 7th largest trading partner. We don't even hit their top 20.

We have much to offer, but we must also be willing to accept concessions where needed.

By way of conclusion today, I'd point out that one of the most important and influential reports during my time as Minister of Industry reached the following conclusion: that the key to Canada's competitive success in the 21st century will be to "skate faster, shoot harder and keep our elbows up in the corners" of global commerce.

Two things about that...

One: this support the theory that every successful Canadian metaphor most somehow involve hockey.

And two: this description speaks to the awareness and perhaps even the consensus that Canada needs to get in the game, stay in the game and play the game hard – with confidence and grit – if it wants to win.

To that end, Canada's true potential will be unlocked only if it is a full, active and aggressive participant in the full global economy.

As a country, we have shown the ability to undertake transformative initiatives before. In 1984 the government of Brian Mulroney set out to transform the environment for economic growth in Canada—tax reform, deregulation, privatizations and the negotiation of free trade agreements. Canada today requires something equally dramatic in terms of international trade.

We need sustained, pragmatic focus. It is not too late, but our national government, our provincial governments and Canadian business need to pursue this as an imperative.

We must recognize the challenges that need to be overcome in order to move forward.

We must make it a national priority to address those challenges.

We must come together to leverage our comparative advantages and negotiate trade arrangements that will achieve market access into the emerging markets that will drive global growth over the next half-century.

The critical role for government at this historic moment is to secure Canadian market access.

If we do that, I have every confidence that the business genius that has made Canada one of the world's great free traders will flourish once again.

Thank you.