



"Nation Building Infrastructure in the Asian Century"  
Address by the Honourable Jim Prentice, PC, QC  
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*Check Against Delivery*

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Thank you Chuck for that kind introduction.

I look back at my time in public life.

I have few scars and no regrets.

More than anything else, I am proud of the people with whom I served and the friendships I made.

And so, I will tell you the very same thing that I once told a friend, as we were walking across a pasture in south Texas.

Of all the people with whom I served in Cabinet, the person who had the best mind, the best judgment and who was most unselfish ... was Chuck Strahl.

No one else came close. Chuck held a disproportionate sway over everything the Harper minority government said and did.

It was an honour to serve with him. I'm sure it will not surprise you to discover that it was also a lot of fun.

Ladies and gentlemen, it is a pleasure to be back in Vancouver and a privilege to speak to the Board of Trade. You gifted me a great history book the last time I spoke here. I read it and I thought it was time to come back.

Thank you for inviting me.

One of the pivotal events in the history of this great city was its selection as the western terminus of the Canadian Pacific Railway – Canada's first great nation-building infrastructure project.

Indeed, when a Canadian thinks of nation-building, the first mental image is likely of an old, sepia photograph – of a man in a stovepipe hat, surrounded by onlookers in the Eagle Pass, west of Revelstoke, driving the last spike into 4,000 kilometres of railway track laid down across mountain, prairie and unforgiving wilderness.

In 1875, Prime Minister Alexander Mackenzie had said of this ribbon of steel, and I quote, that “it could not likely be completed in 10 years with all the power of men and all the money of the Empire.” History judges him something of a pessimist. The CPR was finished in less than five. And it changed our country forever.

Canada has benefited from many ambitious projects over the course of its history.

Projects like the St. Lawrence Seaway, the Trans Canada pipeline, James Bay, the Bennett Dam, Hibernia and the Trans Canada highway – these were all transformational in their own way. Each put its stamp on Canadian development, progress and prosperity.

These projects had several common elements. They took years to build and created massive employment and spin-off benefits. They were financed with private sector and public sector funds and stimulated the economies of entire regions. And each in its day was subject to intense scrutiny and stoked public debate and controversy, as is the nature of developments that hold the potential to change the fortunes of a nation.

It is worth reaching back in history to remind ourselves that Vancouver was selected as the western terminus from among a number of sites on Burrard Inlet. Even then the key criteria was sufficient deep water to accommodate ocean-going vessels.

From day one, Vancouver was meant to be not just a railway town, but a great and vibrant port city – not just the end of the line, but a Gateway to and from the Pacific. This city was chosen to be the place where Canada would start.

In the same summer that the first passenger train arrived from the east, the first ship arrived at the Port of Vancouver.

It had come from China.

Businesses and investors in British Columbia have recognized the importance of the Asia Pacific ever since. And Vancouver and Canada have benefited from that awareness and that connection.

But I think it's fair to say that most other Canadians, for much of our history, have not perceived the west coast and Vancouver as Canada's front door.

Certainly, that's the conclusion of a 2011 poll done for the Asia Pacific Foundation, which found that only 11% of Canadians strongly believe that our country is part of the Asia-Pacific region.

That perspective is out of date in the Canada of today and out of step with the world of tomorrow. It speaks to a lack of understanding about where our country's future lies.

For I believe that when historians look back to the early years of the 2000's, they will identify a pivotal event that shaped the course of the century to come – shaped it for the world at large, and for Canada as well.

It happened on September 17th, 2001. That's the day when China signed an agreement to become a member of the World Trade Organization.

That event triggered forces that have caused a tectonic shift in the balance of global economic power. It is a shift that has moved China from the periphery back to centre stage of the world economy. It is a shift that marked the beginning of what will come to be known as the "Asian Century."

Now, what does that mean exactly – the Asian Century? Strip away the rhetoric we so often hear and let's look at the numbers. Let's consider the forecast growth for seven of the continent's largest economies, including China, India and South Korea.

Today, these seven countries have a combined population of more than 3 billion people and GDP of \$15.1 trillion.

By 2050, it is estimated that these countries will account for 45% of global GDP and more than 90% of global growth.

A look at recent economic developments brings the future into sharper focus.

Urbanization in Asia is occurring at a rate unprecedented in human history. Across the continent, the urban population is expected to double to 3 billion from 1.6 billion today. Over the next three years alone, China is scrambling to build 36 million subsidized housing units for low-income citizens,

almost all of them in cities. By 2025 there will be well over 200 cities in China with a population exceeding 1 million.

I sometimes challenge friends and colleagues to name 5 of them.

To bring this even closer to home, consider that there are today 130 cities in China with a population larger than the 2.3 million people in the Vancouver metropolitan area.

The implications of this growth are sweeping – and, in many cases, staggering. Today, right now, China consumes 45% of the world's coal, 30% of its iron, 46% of its steel, nearly 50% of its cement, 38% of its copper and 33% of its aluminum. As Wenran Jiang of the University of Alberta has put it, China has become the “factory to the world.” It is our planet's single largest consumer of raw materials.

Take a moment and let those numbers sink in. Ready for some more? China has become the world's largest automotive market, producing almost 16 million vehicles a year. It now has well over 900 million mobile phone users. The Chinese middle class is expanding so rapidly that it will soon be larger than the population of the United States.

And China has done all this while importing foreign oil to fuel its growth, becoming the world's second-largest user of oil and its largest consumer of energy.

By 2015, some estimate that China will be consuming 13 million barrels of oil a day. In terms of pure demand, that will be perhaps 12 per cent of what the world produces. But here's the key – China alone accounts for 60% of the growth in oil demand.

Think of the implications of that – for China, for the oil-producing nations of the Middle East. And yes, for Canada.

Simply put, the rise of the Asian Century and the demands of production in China and beyond will stretch the supply of the world's commodities to the breaking point.

Between 2000 and 2010, Chinese consumption of copper, aluminum, zinc, nickel and lead grew at compound annual rates as high as 24 per cent. Even if that pace of growth is reduced by half over the decade to come, vast increases in supply will be needed for a wide range of commodities.

Prices that rocketed to record heights in recent years on Chinese buying could fly even higher. That would be good news for companies that produce those commodities and investors who have placed bets on them—unless high prices abruptly choke off demand or spur the Chinese and other buyers of commodities to seek alternative goods.

To look at the Asian Century from a Canadian point of view, we have the ability to become a supplier of higher value commodities. And one of our competitive advantages will be our ability to be a strategic supplier of oil and natural gas to a rapidly expanding Asia.

As a country, we have compelling reasons to seek a more comprehensive and strategic energy relationship with Asia – and reasons to seek an even closer relationship with China.

I say this for two reasons.

First, while the United States is our closest ally and dominant export market for energy, the growth of the Asian economy and its ensuing energy demand opens the door for Canada to become a trusted and reliable supplier of energy products to China.

The incremental demand of tomorrow is Asian, not American. China now depends on foreign oil for slightly more than half its supply. By 2015, that will increase to 70%.

It also consumes 45% of the coal that is burned in the world today.

Helping China meet its needs will create jobs and income for thousands of Canadians – propelling our country to greater prosperity through trade.

China has made clear that it desires energy security to help drive its growth. And Canada can play a significant role to assure at least some of that security of supply, through both exports of our oil and liquefied natural gas.

A second reason is the lesson of the recent US decision on the Keystone XL pipeline...it is imperative for Canadian oil producers to diversify their customer base.

Today, both Canada's crude oil and natural gas sell in the United States at a discount to international prices – because we only have one customer for our exports.

We don't do this with any other commodity, and frankly we shouldn't do it with our hydrocarbons.

A 2011 report by the Pacific Economic Cooperation Council put a number to it. By having only one customer for our oil, Canada effectively leaves an astounding \$28 billion on the table every year. That's \$28 billion in lost Canadian corporate revenue and the associated federal and provincial taxes.

So the message is clear. Having one customer just doesn't cut it anymore. Unless we diversify our energy markets, we will remain a price taker. And Canada's dream of becoming a clean energy superpower will remain just that – a dream. So we have every reason to pursue this course. But... increasing energy trade with China is going to be a little tricky if our energy products are stranded and can't reach the sea.

I believe it is in our long-term interest to develop multiple corridors to the Pacific for our crude oil and, just as importantly, for our natural gas.

I say "just as importantly" not just because of the importance of natural gas to BC, but to China. For natural gas, the cleanest of the fossil fuels, can play an important role in meeting what is by far the world's greatest carbon challenge – China's large and continuing reliance on coal-fired electricity generation.

Our bank, CIBC, recently released a report on LNG titled "The Race is On." We believe that natural gas is one of the most undervalued global commodities and that exports and prices will only strengthen.

This is a British Columbian story. As a country, we benefit from one of the shortest supply routes to the Asian market. Shorter, in fact, than Australia's. Much of the gas that will be exported to China – and to markets in Japan, Taiwan, South Korea and beyond – will come from BC.

The various proposals to develop LNG facilities on British Columbia's coast will bring significant economic benefit to the natural gas producing regions of the province – and to the country as a whole.

But let's be clear and let's not sugar-coat it: As critically important as it is to our shared future, the development of Pacific corridors for oil and liquefied natural gas stands as perhaps the most challenging initiative that our country has encountered in decades.

I noted previously that nation-building infrastructure has often stoked public debate. It can be controversial and divisive. And this is certainly true for these Pacific Energy Corridors.



I tell you frankly that I support the development of the Northern Gateway pipeline. But this debate is much larger than simply a question of support or opposition to a pipeline. We are indeed speaking of the need for leadership to define and deliver what is in the national interest of Canadians.

I applaud the Prime Minister's recent visit to China and his unequivocal support for Canada's need to diversify its energy market. As he said, "the government is committed to ensuring that Canada has the infrastructure necessary to move our energy resources to those diversified markets."

This is a defining moment for Canada and the federal government has an important role to play. But they're not the only one. We also need the engagement of the British Columbia government, B.C.'s First Nations and of course the private sector.

So, what do we do from here? These are tough issues. Arguably the toughest. And we are all in uncharted territory, in a new post-Keystone reality.

The constitutional and legal issues surrounding west coast energy corridors, terminals and shipping are extraordinarily difficult. The way forward hinges upon negotiating through the complex overlay of unresolved First Nation land claims and unresolved environmental and infrastructure questions.

These may well be the most difficult public policy questions in Canada today and to expect that Enbridge, or any other corporation, can resolve them in the context of an NEB hearing is unrealistic.

Firstly, the constitutional obligation to consult with First Nations is not a corporate obligation. It is the federal government's responsibility.

Secondly, the obligation to define an ocean management regime for terminals and shipping on the west coast is not a corporate responsibility. It is the federal government's responsibility.

And thirdly, these issues cannot be resolved by regulatory fiat, they require negotiation. The real risk is not regulatory rejection. It is actually regulatory approval, undermined by subsequent legal challenge and the absence of 'social license'.

So how should we move forward?

It begins with leadership. Our reality has changed in recent months with the US decision on Keystone. West coast access for Canadian oil and natural gas was always important, but it is now critical to Canada's national interest.

To advance that national interest, the federal government needs to take the lead. They need to consult. They need to negotiate. They will ultimately need to exercise their legislative authority as a majority government.

First, Ottawa must step up and more actively consult with First Nations on the unresolved land claims that blanket British Columbia. Energy corridors will need to be secured on a non-derogation basis, allowing for development, without forcing First Nations to relinquish unresolved issues. While the NEB will aid in this effort, it alone can't get the job done. Senior negotiators need to be put in place to assist in those consultations.

Second, Ottawa has sole jurisdiction over our territorial waters. So it must take the lead in developing a management regime that will take into account the rewards as well as the environmental risks of increased west coast tanker traffic. Legislation will be required. So too will contingency plans for unforeseen eventualities.

It will be essential— given the importance of these waters to coastal First Nations – for the government to pursue a co-management regime for those waters, together with the Province of British Columbia and the coastal First Nations.

Finally, Ottawa must permit the NEB hearings to unfold and conclude as needed. This process will take time. It may indeed take several years. And it needs to be conducted at arm's length with all of the players receiving a proper hearing. It needs to be expeditious, but if it is forced, rushed, or arbitrarily constrained, it will not withstand either public or judicial scrutiny.

The bottom line is this: Developing pipeline corridors to the Pacific requires much more than money. Leadership, patience and time need to be invested. Only then will meaningful dividends truly be achieved.

Consultation is a two way street and it is equally important that British Columbia's First Nations seize the opportunity that this represents to embrace the country's agenda, while advancing their own.

The Asian century marks a Canadian opportunity. But we need to be willing to do the hard work required to take advantage of it.

Ladies and Gentleman:

On that day near Revelstoke so long ago, as the ceremony began to mark the railway's completion, the first swing of the maul missed the mark and resulted in a bent spike. It was quickly removed – and the second time proved to be the charm for the famed last spike.

There's symbolism in that. Nation building is never an easy exercise. We don't always get it done with the first swing. It takes dedication and courage. It requires leadership and drive. It demands perseverance and ingenuity.

Today, Canada stands on the verge of an exciting new period of growth and development.

A period of sustained prosperity as we develop our resources, diversify our markets and re-orient ourselves towards new opportunities.

An era in which a country that has for so long gazed east to the Atlantic, and south to America, will take its place as a leading nation of the Pacific.

As we celebrate the nation-builders of our past, we must remind ourselves that our young country is still a work in progress, and that the job of building Canada must never end.

Thank you very much.