

# **ASIA PACIFIC**

## **THE CHALLENGE**

### **TO CANADIAN BUSINESS**

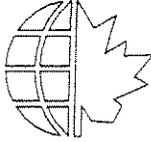
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*Remarks by Thomas d'Aquino \**  
*President and Chief Executive*  
*Business Council on National Issues*

**The Seventeenth Annual**  
**Canada-Japan Business Conference**  
*Kyoto, Japan*  
*May 16, 1994*

*\* Notes on the speaker are attached*

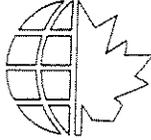


Chairmen Yamashiro and MacDougall, fellow panellists, ladies and gentlemen.

It is a pleasure to return once again to Kyoto, this special place in Japan that the Emperor Kammu some 12 centuries ago named the "capital of peace and tranquillity".

To all of you participating in this important conference, I bring the greetings of Ted Newall, Chairman of the Business Council on National Issues (BCNI), and the best wishes of the 150 chief executives who make up the BCNI. Some of my BCNI colleagues are here today and look forward, as I do, to exploring over the next couple of days how our two business communities can work together even more closely.

Also representing the BCNI at this conference, I am proud to say, is David Culver, the Business Council's Honorary Chairman and the co-founder of the Canada-Japan Business Committee (CJBC). It was the vision and leadership of Mr. Culver and his Japanese counterpart, Mr. Makita, that resulted in the establishment of the CJBC over 17 years ago. Their legacies live on and Canada-Japan relations are the richer for it.



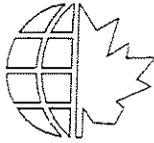
In the next ten minutes, I have been asked to provide a strategic business perspective on the Asia Pacific challenge from a Canadian point of view.

### **THE ASIA PACIFIC CHALLENGE**

As we prepare to enter the 21st century, a number of extraordinary events are re-shaping the political and economic universe. Among the most important are the end of the cold war and the collapse of the Soviet Union; the headlong rush into the information age, and with it, the technological empowerment of vast numbers of people on a global basis; and the stunning rise in economic power and influence of the Asian countries bordering on the Pacific Ocean.

All three of these phenomena have far-reaching implications for Canada. In geo-political and economic terms, perhaps none is more important to our future than the dawning of what has been called "the century of the Pacific".

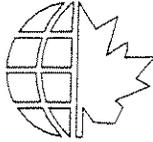
The collective economic performance of the Asian economies tells a convincing story. In one generation, per capita output in the Asia Pacific region has almost quadrupled. Over the past 25 years, 23 East



Asian economies grew more than twice as fast as their counterparts in the Organization for Economic Cooperation and Development (OECD), and three times as fast as the Latin American and Caribbean economies.

Since 1980, China's growth has increased close to an average of 10 percent per year. (In 1992 and 1993, China's growth averaged 13 percent!) South Korea, Taiwan and Singapore have grown by greater than 7 percent per year. Thailand, Indonesia and Malaysia have experienced impressive gains. In India, the future looks increasingly more promising prompting one economic journal recently to refer to India as a tiger about to escape its cage.

Asia Pacific's march to prosperity should not be measured in terms of economic output alone. Other factors offer significant advantage. For example, the rate of savings in the region is high -- indeed, it dwarfs that of the OECD countries. Public finances are generally in a healthy state with sizeable current account surpluses being the rule rather than the exception. Literacy levels in many parts of the region match those in the West, the population is young, and the work ethic firmly entrenched.

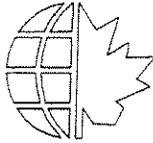


### CANADA AND ASIA PACIFIC

Canada's interest in Asia Pacific is strong and growing. As a Pacific nation, Canadians have a strategic stake in the region and the Canadian government in recent years has given increased attention to both economic and security issues.

But it is the economic performance and potential of the region which is providing such a powerful attraction to Canadian decision-makers in both business and government. Today, the Asia Pacific region is next only to the United States in importance to Canada as a trading partner. In 1993, two-way trade with the APEC economies (excluding the United States) totalled \$42 billion compared with \$25 billion in trade with the European Union.

Some major Canadian companies have been active in the Asia Pacific region for many decades. Others only recently have begun to make their presence felt. Whether long-established or newcomers, some of their names will be familiar to you: Alcan, Bata, NOVA, Northern Telecom, Loram Corporation, Noranda, Canfor, Westcoast Energy, MacMillan Bloedel, American Barrick, Power Corporation, Inco, Bombardier, SNC-LAVALIN, Teck, Canadian Pacific, CAE, Manulife, Sunlife, and the leading Canadian banks. But the truth is that corporate

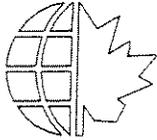


Canada has barely scratched the surface of this vast and rapidly growing market. The enormity of the challenge facing Canadian business was summed up recently by a chief executive who said to me "I am looking at markets encompassing over 1.8 billion people, a huge geographical area, and opportunities everywhere.... Where do I begin?"

In part, the answer to this question lies in correctly gauging markets and in aggressively seeking out specific opportunities. This requires the best of market intelligence, skill in cultural adaptation, an effective local partner, and a capacity for sustained effort. But in some cases, success may depend on a far-sighted strategic alliance. This brings me to Japan.

### CANADA, JAPAN AND ASIA PACIFIC

Japan is by far the dominant economic force in Asia. The Japanese share of the economy of the region is roughly two thirds of the total. Of great significance is the fact that Japan is shifting its focus of economic activity to Asia at startling speed. Consider the following: Less than a decade ago, Japan traded a third more with the United States than with Asia. Today the ratios are reversed -- Japan trades a third more with Asia than it does with the United States.<sup>1</sup>

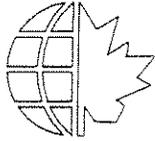


Japan continues to be a central actor and a powerful catalyst in fuelling the remarkable growth of intra-Asian trade and investment. Leading the way are Japanese companies -- many of them represented at this conference. In shaping a business development strategy for the Asia Pacific region, Canadian business people should consider drawing on the experience and access of Japanese partners with good track records -- consider, in other words, the potential benefits of a strategic alliance.

### **THE PACIFIC – CONFLICT OR COOPERATION?**

That the Asia Pacific region will continue to experience an expansion of its economic and political power cannot be doubted. A question often follows, however -- will this lead to greater conflict, or to closer cooperation in the world economic community?

The answer to this question will depend on a number of key factors. One is the willingness of Japan to play a leadership role in the region and to continue its commitment to multilateralism and trade liberalization. Another is the ability of Japan and the United States to work out their very considerable differences. As a veteran observer of the United States, I can tell you that this will not be easy. A third factor

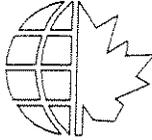


is China and the critical issue of its transition into the world community. I support the view that it is manifestly in the international interest to rapidly facilitate China's further integration into the world economy<sup>2</sup> -- but with China fully accepting its responsibilities, particularly insofar as the GATT and its successor, the World Trade Organization (WTO) are concerned.

Let there be no mistake, the potential for conflict is real. It is therefore more important than ever that the key global actors move quickly to consolidate and build on the gains of the Uruguay Round. The WTO must rapidly establish its credibility, and the membership of organizations such as the OECD, and inevitably the G-7 as well, must become more reflective of the changing world economic order.

And what about the Asia Pacific Economic Cooperation (APEC) Forum? Canadians believe that it can be a beneficial force. Last autumn's Seattle Summit gave momentum to the organization, and the APEC commitment to achieving "free trade in the area", consistent with global liberalization, is a significant and positive step.

If the APEC Forum is seen to promote trans-Pacific cooperation, can the same be said of the North American Free Trade Agreement (NAFTA)? As far as we Canadians are concerned, the answer is certainly "YES".

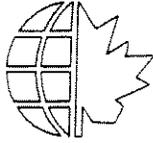


The NAFTA Accession Clause serves as an invitation to any country willing to subscribe to the obligations under the Agreement. Interestingly, Korea and Singapore have indicated an interest in joining, and Thailand has said that it is prepared to explore a link between NAFTA and the Asian Free Trade Area (AFTA). Australia and New Zealand as well could be logical partners.

How these regional dynamics will evolve is difficult to ascertain -- much will depend on statesmanship and political will. But I am encouraged in two respects: one is that the various regional organizations that I have described are committed to trade liberalization that is consistent with GATT/WTO principles. (In reality, APEC and NAFTA are driven more by a desire to include rather than to exclude.) The other source of encouragement to me is that the powerful tide of commerce, pushed on by a highly entrepreneurial business community in the Asia Pacific region, will help to erode barriers whether they be political or economic, or whether they be on the shores of Asia or North America.

### THE CANADA-JAPAN PARTNERSHIP

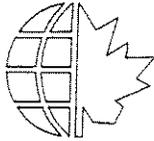
I conclude my remarks with a wish, and it concerns Japan and Canada. The political and economic relations between our two countries are



positive -- free of any serious conflict. Linkages between our two peoples, as Ambassadors Nakahira and Campbell pointed out during the luncheon, continue to widen and deepen, shaped by a strong mutual respect. Our economic interests are largely complementary. The volume of trade between us has more than doubled since 1985. But I believe we should ask ourselves the question -- is this good enough?

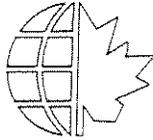
In May 1991, the BCNI in a report entitled "**Beckoning Opportunities**"<sup>3</sup>, called for bolder and closer ties between our two countries, free of "the defining characteristics of our traditional relationship". The report envisioned deeper and more balanced business links driven by stepped-up trade and investment. It envisioned closer joint cooperation in Asia and North America. It spoke of a "strategic convergence" of Japanese and Canadian interests.

The BCNI's recommendations of three years ago are equally relevant today and in part were echoed in the work of the Canada-Japan Forum 2000. My wish is this, and it echoes the words and challenge of Ambassador Campbell earlier today: let's intensify our efforts to move the Canada-Japan relationship from one that is fairly comfortable and predictable, to one that is more vigorous and expansive. The role of our respective business communities will be crucial in this regard.



The pursuit of three priorities, I suggest, will serve as a stimulus. First, let's take better advantage of the attractive, long-term growth potential of Canada within a highly integrated North American economy, and of a Japan that will transcend its recession and continue to be a world economic leader. Second, let's strengthen our Canada-Japan business partnerships in North America, Japan and Asia Pacific where there are so many opportunities. And third, let's join forces to ensure that the Asia Pacific "miracle" works for the benefit of the world economic community as a whole -- this means using all the influence that we have to combat the destructive forces of nationalism and protectionism and to promote the successful integration of dynamic Asian economies into a rapidly changing world economic order.

Clearly, Chairmen Yamahiro and MacDougall, there is a great deal that Japanese and Canadian business people can do together -- for Japan, for Canada and for the world. May our discussions here in Kyoto spur us on!



## Asia Pacific -- The Challenge to Canadian Business

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1. Kenneth S. Courtis, The Centre of the World Economy Shifts to the Asia Pacific -- Challenges and Opportunities for Canada, Address to the Pacific Basin Economic Council of Canada, Toronto, April 18, 1994.
2. Nicholas R. Lardy, China in the World Economy, Institute for International Economics, Washington, D.C., April 1994.
3. David Culver, Thomas d'Aquino, Marshall Cohen, Beckoning Opportunities -- Towards a Stronger Canada-Japan Economic Relationship, Business Council on National Issues, Ottawa and Osaka, May 1991.

Also see Canada/Japan Business Conference, Department of Foreign Affairs and International Trade, Kyoto, Japan, May 15-18, 1994; and Canada and Japan -- Gathering Momentum After a Prolonged Adjustment, A background paper on the 17th Canada-Japan Business Conference, Kyoto, Japan, May 1994, Mitsui & Co. (Canada) Ltd.

## **Notes on the Speaker**

Thomas d'Aquino is President and Chief Executive of the Business Council on National Issues (BCNI), an organization composed of 150 chief executives of major enterprises in Canada.

Formed in 1976, the Business Council is the senior voice of Canadian business on public policy issues in Canada and internationally. A non-partisan and not-for-profit organization, member companies administer in excess of \$1 trillion in assets, have a yearly turnover of more than \$400 billion and are responsible for a significant majority of Canadian investment and exports.

Mr. d'Aquino is a native of British Columbia. He was educated at the Universities of British Columbia, Queen's and London (University College and the London School of Economics and Political Science). He holds B.A., LL.B., and LL.M. degrees and is a member of the British Columbia bar.

Mr. d'Aquino's career combines experience in government, business and the law. He has served as a Special Assistant to the Prime Minister of Canada, as a London and Paris-based management consultant on strategic business problems, and as a lawyer specializing in trade and international business. As an Adjunct Professor of Law, he also has lectured on the law of international business transactions, trade and the regulation of multinational enterprises.

Mr. d'Aquino has been referred to as one of Canada's foremost policy strategists and most effective business ambassadors abroad. He leads the Business Council's Global Strategy Initiative and is active in a number of international organizations. He is the author of numerous publications, a regular commentator on Canadian radio and television, and a frequent speaker on platforms in North America, Europe and Asia Pacific.