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## SYMPOSIUM ON THE TRANS-PACIFIC PARTNERSHIP AND BEYOND: ADVANCING CANADIAN TRADE AND INVESTMENT IN ASIA, THE UNIVERSITY OF CALGARY SCHOOL OF PUBLIC POLICY

Notes for the keynote address by Randolph Mank

Canadian War Museum,  
Ottawa, June 18, 2015

### EDITOR'S NOTE

On June 18, 2015 the University of Calgary's School of Public Policy hosted the symposium *The Trans-Pacific Partnership and Beyond: Advancing Canadian Trade and Investment in Asia*, at the Canadian War Museum. The School was honoured to have Dr. Randolph Mank present the keynote address at this event who brings over thirty years of public and private sector experience in Asia to his analysis of Canadian relations in Asia. A three-time Canadian Ambassador in the Asian region, having served in Indonesia, Malaysia and Pakistan, Mank also held the position of Senior Advisor and Vice President Asia for Blackberry and currently lives in Singapore.

Presenting a policy prescription for Canadian-Asian relations over the next five years or so, Mank shares a personal "Top 10" list of specific things Canada should do to advance national and business interests in Asia. Although expanding trade linkages in the region is obviously crucial for Canada, Mank's recommendations are positioned within the broader framework of strengthening our diplomatic platform and development assistance in the region. Mank concludes that if Canada does not increase its engagement and investment in Asia, we won't be an influential player in the evolving and highly integrated new world order.

One might agree with every recommendation, or once might quibble with the government-centered focus of his prescriptions; most certainly, some Canadian firms have been successful in Asia and we could learn from their experiences. That said, Dr. Mank speaks from authority and we are pleased to publish his speech as a valuable contribution to a more informed and public debate on Canada's future role in Asia.

I want to thank the University of Calgary's School of Public Policy for inviting me here today. And thank you all for coming as well. Living in Asia, I'm always delighted to come back home and see old friends and colleagues, and to be reminded how Asia-Pacific issues are viewed through the Canadian lens.

A few years ago, I found myself in a large plenary room facing no less than 21 APEC senior officials at their secretariat in Singapore. By some twist of fate, I had been shortlisted as a candidate for the role of executive director of the APEC Secretariat. Wisely, they selected someone eminently more qualified for the job in the end.

But looking at all those faces in the room, it reminded me that, in APEC, consensus is required on absolutely everything, and it is a long and arduous thing to achieve when so many officials and countries are involved.

It must have looked this way, too, to the leaders of New Zealand, Singapore and Chile when they decided at the APEC summit in Los Cabos, Mexico in 2002 to create their own little free-trade initiative for Asia, in a sub-group that was joined by Brunei in 2005.

And that was how the TPP really started. I'm not going to go through a long history of the twists and turns that led us to that point and to here. But I think we should note that a highly productive process towards convergence began right there. And *convergence* will be my key word today.

It's somewhat ironic, given what's happening currently in Congress over the issue of fast-track authority, but we all know that U.S. inclusion in 2008 finally put wind in the TPP sails. We also know that some of us in the field were tasked with the diplomacy of getting Canada in the door in 2012, that Japan's decision to join in 2013 was a major breakthrough, and that we now have 12 countries well-advanced in the negotiations for a Trans-Pacific Partnership. We also have a general idea of the areas being negotiated, including some of the sticky bits.

So I would like to turn to the two main questions suggested by the title of this symposium:

## WHAT LIES BEYOND THE TPP?

**How can we advance Canadian trade and investment in Asia?** On this, I will share my personal Top 10 list of things we should do.

Three quick disclaimers:

First, I am not a trade policy specialist and I have no inside knowledge of the current TPP negotiations.

Second, I am a free-trade supporter. I believe that the benefits of free trade generally outweigh its downsides, though I acknowledge that there are some very serious opponents who make the case that globalization has resulted in a loss of jobs in some sectors, and increased economic inequality. These effects certainly need to be mitigated.

Third, I'm a foreign policy realist. Canada's vital foreign policy interest lies in getting right its relations with the United States, including such mundane things as border management and an array of everyday, bread and butter issues. The horrific events of 9/11 showed that this relationship is of existential importance to us and vastly outweighs everything else we do internationally. Geography is truly destiny and our trade figures underscore our economic reality.

Let's be honest, that's why Asia has lacked our full and consistent attention, even though many of us strongly believe in diversification and don't see it as a zero-sum game.

If the U.S. is our No. 1 foreign policy priority, certainly a second priority has always been a rules-based global system — for trade and investment, security and human rights. We can't project power and impose our will. So our interests lie in global rules and order. And this, along with impressive regional growth rates, is why the TPP and Asia must be an important area of focus.

To continue the rule of threes, I view the TPP as crucial to Canada for the following main reasons:

First, we would be severely harmed if we were on the outside of any new set of trade rules that involved such a large set of markets, including our key NAFTA partners — the U.S. and Mexico — as well as such an important country as Japan.

Second, in addition to the specific agreed liberalization measures — which can boost trade through reduced tariffs and barriers — the habit of dialogue itself opens up new and beneficial bilateral channels for problem-solving and dispute resolution.

Third, the TPP will push us to take much needed measures to improve our own economic policy and infrastructure at home. For Canada, a country whose products are generally not close to ports, if we are to come out ahead, it will be crucial to strengthen our transportation policy and infrastructure — road, rail, pipelines — to get product to ports and out to distant markets. But we are up against vast distances, a harsh winter, a complex regulatory environment, and limited investment capital.

So yes, the TPP is important to us. But it is equally important to look beyond it. And I have one main message regarding the beyond:

It's that word *convergence* again. This applies whether we actually succeed in concluding the TPP or not. The process of bringing economies together must continue, not stop. There are, in fact, other processes underway, which will change not only the region but potentially the global economy as well. The opposite outcome, *divergence*, and then, inevitably, a companion strategy of *containment*, would be the wrong way to go. That's not the "new world order" that we want or need.

Since the TPP is missing three of the big players in Asia — China, India and Indonesia (even assuming South Korea and others will enter) — ideally we need to bring them on board. The WTO is supposed to harmonize trade arrangements globally and ideally it would get back on track. At the same time, if it doesn't work out this way, we need to take seriously the various other regional processes and initiatives in play. In my view, we should already be conducting focused diplomacy, advocating a convergence of these processes towards the APEC vision of a true Free Trade Area of the Asia Pacific (FTAAP). If not, we will be left with what we have now: a fragmentation of trade arrangements.

One of those other initiatives is the Regional Comprehensive Economic Partnership (RCEP) initiative, launched by ASEAN in 2012, which includes all of the big Asian players. RCEP includes more than three billion people, has a combined GDP of about \$17 trillion, and accounts for about 40 per cent of world trade.

We have a bad habit of not taking these new processes seriously when they begin, and then scrambling to get on board later when they gather momentum and we realize that our interests are involved. The TPP was an example of this. Canada doesn't have an FTA with ASEAN, so we aren't a party to the RCEP process in the first instance. Canada is also the only ASEAN Dialogue partner left out of the East Asia Summit process, which should be both a warning sign and a focus for serious diplomacy to rectify.

On another front, we need to keep an eye on the progress, or lack thereof, towards the launching of the ASEAN Economic Community (AEC) targeted for the end of this year. This is meant to integrate the flow of goods, services, investment, capital and skilled labour among ASEAN countries. By 2020, ASEAN banking institutions are supposed to be integrated as well, all of which is highly ambitious and of course surrounded with much doubt.

Perhaps more fundamental than all of these processes is what China is doing under the leadership of Xi Jinping in its “belt and road” vision for Eurasian trade development. This is profound. China is sitting on almost \$4 trillion in foreign-currency reserves and it naturally wants to invest these beyond U.S. Treasury bills. While building a vast network of trade infrastructure connecting Asia to Europe, Russia, the Middle East and Africa, they will also export renminbi savings and thus continue to create an offshore renminbi market and assert their financial power. That’s a potential game changer.

Don’t underestimate this. Asian countries would need about US\$750 billion a year through to 2020 to finance all of their infrastructure needs. The World Bank and ADB invest \$20 billion a year in infrastructure worldwide. China’s new Asia Infrastructure Investment Bank (AIIB) is still being capitalized, but will be much larger. Its companion, the Silk Road Fund, will start with \$40 billion. This is in addition to China’s New Development Bank with the BRIC countries: Brazil, Russia, India, China and South Africa. And, already since 1994, China has had three other financial institutions involved in capital exports: the China Development Bank, The Export-Import Bank, and the Agricultural Development Bank. Plus they have a sovereign wealth fund, the Chinese Investment Corp., modelled on Temasek of Singapore, and they also have the state-owned China International and Trust Investment Corp.

China’s full-court press is on. In some respects, the pivot started in Beijing, not Washington.

So, if that’s the context, let me turn now to how we can advance Canadian trade and investment in and from Asia.

I was invited to speak today because I work in Asia and have a background in both government and business. In preparation for my remarks, I conducted a highly unscientific survey of Chamber of Commerce members and business friends in Malaysia, Singapore and Indonesia in recent weeks to see what they thought about the TPP. Their responses ranged from “what does TPP stand for?” to the general, “we support free trade,” to “we will let you know when we find out what’s in the agreement.”

Those are actually fair responses. Businesspeople want concrete and practical support from their governments. And too many analysts fail to say what we should actually do. So allow me to put my policy-maker hat back on and share with you my own 2020 vision; as promised, the Top 10 very specific things that I think we should do over the coming five years. Some of these ideas are inspired by inputs that I have received from the business community in Asia over the years.

## **1. EXPAND TRADE LINKAGES**

I’ve already mentioned my No. 1 suggestion: we need to conclude the TPP, and then start expanding our trade relationships even further, ideally by broadening TPP membership, or via a convergence with the RCEP or any other initiative that gains traction. If it turns out that the TPP doesn’t move forward and we need to go through the more classical route of negotiating a Canada-ASEAN FTA, then we should get on with it.

One new strategic bridge into Asia would be to join the China-led Asia Infrastructure Investment Bank (AIIB) that I mentioned before. I know this is controversial, especially in the U.S., but several of our European partners are already in: the U.K., France, Germany and Italy. Hanging back will disadvantage us when it comes to participating in infrastructure projects and also signal our continuing ambivalence about Asia. Deftly handled, joining could be used as a key to open some hitherto closed doors, while working inside to ensure that best practices are followed. It would also demonstrate our intention to get involved and stay involved

## **2. STRENGTHEN TRADE-SUPPORT SERVICES IN ASIA**

The Canadian government's Global Markets Action Plan (GMAP) notes that trade accounts for 60 per cent of our GDP and one in five Canadian jobs. Yet, it's all in the hands of just a few hundred superb trade commissioners in the field, with resources constantly under pressure. Trade agreements can open doors, but Canadian businesses have to find the deals. I can tell you, it isn't easy. Asia is very complicated and our businesses need local knowledge and support. The Trade Commissioner Service should be grown significantly — doubled, I would say — in both personnel and program resources. Provinces should also be encouraged to deploy more commercial representatives and co-locate in our embassies. Trade services should also be expanded to recognize that supply lines are multinational and that support is sometimes required for non-Canadian companies involved in deals that benefit Canada. Two key Crown corporations — Export Development Canada and the Canadian Commercial Corp. — need to be much better resourced to increase their presence in the region. They also need to become more dynamic, visible and aggressive in pursuit and support of deals.

## **3. IMPROVE VISA SERVICES**

It sounds mundane after talking about FTAs, but I can't over-emphasize how crucial this is. After personally working with Petronas for over a year to convince them to invest in Canada, and priming them for their largest outward investment ever at \$36 billion, the deal was jeopardized by the decision to close our visa office in Kuala Lumpur, just at the height of negotiations when executives were shuttling back and forth to Calgary, Vancouver and Ottawa every week. The Petronas CEO was not pleased to learn that he had to go to Singapore to get his visa, especially since I had been pitching Canada so strenuously as an open and welcoming investment destination. Canada should have accredited visa officers in each major ASEAN partner country. Service-delivery targets should be two days for routine business and tourist visitors, and four weeks for students. It makes little sense to centralize the function in Singapore, where costs are among the highest in the world and the locals don't actually need visas to visit us. Canada should also complete the pilot program and get on with full adoption of the APEC Business Travel Card, including eventual visa waivers for cardholders.

## **4. EMPOWER OUR NEW AMBASSADOR TO ASEAN**

The new ambassador position is already announced, but should not just be a symbolic add-on in Jakarta. She or he should have sufficient staff and resources to help manage the broad range of ASEAN files. She or he should also be accredited as Canada's senior official for ASEAN and should either be tasked with actively advocating the case for trade policy convergence, or should work closely with a credible special envoy so designated and tasked. We need profile, not another ambassador sent abroad with an invisibility cloak.

## **5. EXPAND OUR DEVELOPMENT-ASSISTANCE PROGRAM**

Along with the current development-program focus on poverty, Canada should fund work by the ASEAN Secretariat in such critical areas as energy, climate change, fisheries management, and food security. This would play to Canada's strengths, establish a credible niche for us, and provide the resident Canadian ambassador to ASEAN with a clear focus, a set of priorities, and significant resources to register our commitment and gain profile.

## **6. BOOST OUR S&T (SCIENCE AND TECHNOLOGY) DEVELOPMENT AND PROMOTION**

It can't only be about bulk commodity exports. Yet, we have only a very few S&T agreements with Asian countries: India and China (funded); Japan (unfunded); and South Korea (under negotiation). It's in the areas of technology and innovation, across all sectors — not just IT itself, but also agriculture, energy, infrastructure and so on — where an advanced country like Canada, with expensive labour and other costs, needs to find competitive advantages as well as partners for investment. We can do more. I would like to see universities playing a much more active role as well in linking up with their partners in Asia. The University of Calgary School of Public Policy, for example, would make a great leader in this area.

## **7. ENCOURAGE DIRECT AIR LINKS**

Though this is clearly a delicate private-sector-driven decision, bilateral air agreements should be reviewed in order to make conditions as favourable as possible to both Canadian and Asian carriers. The revised agreement with the Philippines is a good start. Hopefully the new Dreamliners will enable Air Canada will find profitable new routes to, and beyond, China and Japan. Improved visa services and strengthened education marketing would also encourage more travel and increase passenger loads.

## **8. INCREASE FOCUS ON ASEAN BY THE ASIA PACIFIC FOUNDATION OF CANADA (APFC)**

The APFC should increase its work specifically on ASEAN, forming a closer link to the ASEAN Secretariat via the new resident Canadian ambassador to ASEAN. The APFC's endowment should be increased to build specific capacity for ASEAN work, again in such areas as energy, climate change, fisheries management, and food security.

## **9. STRENGTHEN THE CANADA-ASEAN BUSINESS COUNCIL (CABC)**

Still a new organization, the CABC in Singapore should federate with the existing Canadian chambers in ASEAN (if not all of Asia), and work to increase membership to help strengthen the Canadian business presence and voice in the region. The CABC should hold annual forums in alternating ASEAN locations in the future, rather than the current biennial pace, which began in Singapore in 2013 and recurred in Bangkok this year. The CABC forum should also include opportunities for showcasing Canadian products and services and increasing Canada's profile via the media and social networking. Somehow we have to get Canadian companies themselves to look to Asia in far greater numbers. There are, in fact, relatively few Canadian companies in the region.

## **10. REVERSE THE EROSION OF OUR PLATFORM IN THE REGION**

Last but not least, the downsizing or closures of embassies, visa offices and official residences should be reversed in Asia to avoid further erosion of our profile and competitive advantage. These assets are the key platforms for promoting Canadian political, commercial, cultural and developmental interests. Closures and downsizing make us look like a country in retreat.

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I think if we put together a plan to do these things, ideally in public-private-sector partnership where possible, we would be in a much better position in the region by 2020. Call it “TPP plus.” I know that, with an election in the offing, even the TPP is going to be tough to manage, let alone a prescriptive list like mine. But forget about the election. Think about the throne speech afterwards. In my experience, that’s where the opportunity for fresh initiatives arises.

If we are serious about Asia, we will invest. If not, we won’t. If we don’t dramatically increase our engagement, be prepared for geography to remain our destiny, and for others to continue to eat our lunch in Asia.

There are many other things that I haven’t covered in these already overly long remarks. There are practical barriers to trade, notably endemic corruption that will neither be wished nor negotiated away by the TPP. Asia doesn’t fare well on the Transparency International ratings. Examples of corruption are sadly commonplace in daily business dealings. My own experience as a businessman trying to sell products and services in Asian markets, and as an ambassador coaching innumerable Canadian companies across virtually every sector, is that this is a very real problem. We can’t and shouldn’t compete on this basis. So we sometimes simply lose the deals.

I am also mindful, of course, of the geopolitical imperatives driving the TPP: the peace and conflict issues, which have been the focus of another part of my career. I will just say this: the disputes in the South China Sea not only have the potential to disrupt shipping routes and peaceful relations in Asia, but also could have implications for Law-of-the-Sea disputes and jurisprudence in our own northern waters. So we had better beware.

But all of this would require another symposium, or perhaps a whole series. Suffice it to say that, alongside the wonderful trade and investment opportunities, there are also serious challenges in Asia around democracy, human rights, migrant smuggling, territorial and littoral disputes, cyber security, narcotics, and so on — any and all of which Canada has a deep stake in, as history so clearly shows.

But let’s leave all that for another day. Today, we should be thinking of the opportunities that will come from the TPP, if indeed we get it concluded, and the need for convergence beyond, even if we don’t.

Thank you for your kind attention.



# THE SCHOOL OF PUBLIC POLICY

## About the Author

**Randolph Mank** is a three-time Canadian ambassador in Asia, with over thirty years of public and private sector experience in the region and around the world. In the private sector, he was most recently President Asia-Pacific for SICPA of Switzerland, selling systems for tracking and tracing of illicit trade, as well as for brand protection. Previously, as Senior Advisor and Vice President Asia for BlackBerry, he handled high level government relations, public policy and business development from Singapore. He has served as Ambassador in Indonesia, Malaysia and Pakistan, as Director-General for Asia, and as Canada's Senior Official for ASEAN. His other international assignments included Greece, Sweden and Japan. He coordinated the G8 Foreign Minister's process from 1999-2003, while serving as Director for Policy Planning. In the same role, he quarterbacked a Canadian foreign policy review. Born in Kitchener, former Ambassador Mank studied at Wilfrid Laurier University and The London School of Economics.