The deep North American economic ties Canada has developed since NAFTA have left little room for growth elsewhere, and we are now very late to the party in Asia. It is time, Robin Sears argues, that Canadian business and government got serious about executing a focused and long-term agenda to build cross-Pacific ties. As did NAFTA, this will involve the sacrifice of some sacred cows. Failure to win secure trade access in Asia will probably imperil Canada’s future prosperity.

On a spring day in Tokyo in 1930, Herbert Marler, a failed Montreal politician and Liberal party bagman for Mackenzie King, stepped down from his vehicle at the side of a muddy main drag, Aoyama-dori, in Tokyo. Though it was even then the city’s main thoroughfare to the West, it had none of the *haut monde* fashion and cultural glitter it does today. Its only claim to fame was the strange European architecture of Akasaka Palace, home to the lesser members of the Imperial Household.

Marler stared at the strip of parkland and a mostly vacant lot next door, immediately across from the palace, that his local real estate adviser had found. It was at this moment, his modest political career notwithstanding, that Marler secured his status as an exceptional Canadian visionary.

Earlier, he had agreed — one can only imagine the family consternation — to travel to the other side of the world to become Canada’s first representative in Asia. Next, he assumed the task of finding a home for Canada’s embassy and overseeing its construction, all while launching himself as a diplomat in a Japan that was already descending into street-fighting and preparations for war.

Having found what has become one of the most prestigious embassy sites in the world and negotiated a good price for the five-acre parcel — it had a bad reputation of being haunted by ghosts of an assassinated Japanese politician — he cabled Ottawa for a transfer of funds to close the sale.

What he had not been prepared for was the expectation that he should finance it all himself!

A lesser man might have got on the next ship home on receiving the reply. Canada was that year slipping into the Great Depression. The Prime Minister’s Office informed Marler that he was on his own financially. Marler didn’t quit. He financed the design and construction of what remains one of the architectural treasures of Canadian embassies around the world, Marler House, today the ambassador’s residence.

Marler’s vision and determination are not what is most extraordinary about this forgotten chapter of Canadian history. The fact that he was there at all is more surprising. Marler was the first Canadian diplomat in Asia, but he was also only our fourth ambassador in the entire world, after London, Paris and Washington. In that Eurocentric era, a more conventional posting would have been Berlin, or Rome, or Vienna.

That Mackenzie King and the fledging bureaucracy of the Department of External Affairs were committed to planting Canada’s flag in Asia is astonishing. During the Occupation after the Second World War, Canada again played a large role in connecting Japan to the world, assisting with the drafting of the constitution and playing a key advisory role to US general Douglas MacArthur.

Sadly, it is many years since Canadian business and government have had a similar level of focus and commitment to Asia. We are very late already, as the key Asian players have chosen preferred partners around the world. Herbert Marler would be pleased at Prime Minister Stephen Harper’s renewed interest in China and in building trade ties across the Pacific, but he might be excused for muttering, “Where have Canadian business and government leaders been for most of the past century...”
Canada recognized China early, but the Pearson and Trudeau governments remained focused on Europe and later the third world until the 1980s. Brian Mulroney’s apology to the Japanese for our wartime treatment of Japanese Canadians is still treasured by Tokyo — they granted him their highest national honour for a once much more common approach of equalization or price.

Today we stand on the cusp of a set of trade agreement decisions as large in their potential impact as NAFTA was two decades ago: the Trans-Pacific Partnership (TPP), and bilateral deals with Korea, Japan and China, will guarantee Canada’s economic health into the next century — or not. A painful concession in the North American deals was granting preferential access to Canadian resources and agreeing to an unprecedented and potentially risky disputes settlement mechanism.

The pain this time lies in defending Canadian milk, eggs and chickens. There are no virgins in agricultural subsidy in the developed world. Europe still spends nearly a third of its total EU budget on agricultural subsidy, though they are in reality more equalization and social development transfer payments. The US subsidizes cotton, corn and sugar production, and limits imports of a long list of farm products. Japan, Taiwan and Korea simply ban the import of certain products, often employing spurious health claims for years, as in the case of Canadian beef.

In Canada, however, we have hung on to an especially provocative protectionist poison pill. We combine farm input subsidies and tax credits, production quotas, price floors and direct cash in an interlocking network of policies to defend Canadian poultry and dairy producers against foreign competitors. Our supply management system is now the last surviving relic of a once much more common approach in the developed world.

Australia and New Zealand, who pioneered these complex market interventions to stabilize farm incomes after the Depression, have abandoned them. New Zealand is especially determined that Canada will not get into the TPP tent without massive changes in our subsidies. Australia imposed a tax on the products being exposed to world competition when they gave up their supply management — every pint of Aussie milk generated funds for transition payments to remove unsustainable farmers from production. New Zealand, facing bankruptcy, quit closer to cold turkey in the 1980s and has actually seen its agricultural exports and revenues climb.

The Chrétien government stumbled at the finish line, and now so has the Harper government, mostly
What makes this especially galling for Canadians who understand the importance of Asia to our children’s future is that we have the advantage of enormous and growing Asian-Canadian communities with deep connections to their countries of origin. On a per capita comparison basis, Canada’s South Asian communities are 10 times as important here as in the United States. Mainland Chinese immigrants now represent the largest cohort of immigrants to Canada annually, adding to our large fourth- and fifth-generation communities from Japan, Korea, Hong Kong and Taiwan. While some business leaders in those communities marry the competitive advantages of Canada and Asian markets, the list of missed opportunities is long.

It is hard to understand why Canada has been so late in catching Asia fever. After all, the CPR was sold to UK investors as the connector of the Empire in the Orient to the mother country across the Atlantic. The railway itself, through British Columbia, was built predominantly by imported Chinese labour. Most Canadian cities have had significant Asian-Canadian communities for more than 50 years.

A seasoned Canadian trade diplomat used to point to what he called the “time-zone trade barrier” as an element of human friction that should not be discounted by any promoter of the benefits of Bangkok over Buffalo or Bellingham. When you can visit a client, attend a trade show and be home for dinner, that’s an easier decision than committing a jet-lagged week to doing the same thing on the other side of the Pacific.

Fibre optics and Skype have reduced that time-zone and distance friction somewhat. The next decade will see real-time, full-motion video-conferences from any business centre on the planet as routine as e-mail is today. But, especially at the early stages of building relationships, there is simply no substitute for making the 14- to 18-hour flights and for sacrificing one’s liver and family life in the interest of trade.

There is also the challenge of the depth of commitment on both sides. When your trading partner receives tankers of coal or bitumen or containers of Canadian cedar two-by-fours, you develop one level of engagement. When you export Canadian home construction technology, building experts and services — along with the two-by-fours — you build much deeper and more lasting relationships.

Following the devastating Kobe earthquake in 1995, many Japanese commentators were stunned to see the benefits of Bangkok over Buffalo or Bellingham. When you can visit a home for dinner, that’s an easier decision than committing a jet-lagged week to doing the same thing on the other side of the Pacific.

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Catching Asia fever: Better late than never
An early licensee of Nortel's intellectual property was a then tiny Chinese start-up called Huawei. Launched by engineers with good People's Liberation Army credentials, it is now one of the largest telecom equipment providers in the world. Nortel is no more and Huawei will soon occupy some of its former territory.

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The lessons of defeat are always more valuable than the lessons of victory, as any strategic guru will remind. It was in learning from hard early lessons that Manulife became an Asian regional giant. It is from failing to do so that Nortel began its slide to oblivion.

Smaller Canadian entrepreneurs landed in Japan and Korea in the 1980s and some went on to become mid-sized successes. A much larger number of young Canadians are passing through Hong Kong and Singapore to make their careers in the booming markets in China and Southeast Asia. They operate with little or no government assistance, and frequently change course when knocked sideways by the market.

Harnessing that entrepreneurial energy, connecting it to the Asian-Canadian diasporas in Vancouver, Calgary and Toronto, and providing the new trade access that international agreements can provide is the task of government. Laying the table, as it were — creating the opportunity to pick up local table manners and persuading the prospects to come to their table is the job that American and European governments do well.

However, it is our nearest peer on the international playing field, Australia, that provides the most valuable lessons for Canada. It is a disputatious federal nation, with the same regional tensions and competitive jealousies as Canada. But Australia has been much more successful in ensuring that its businesses understand that Australia is the brand. Queensland or Sydney may offer themselves as icons of it, not competitors with it.

National education recruitment standards for marketing Aussie excellence in secondary and post-secondary education to Asian parents have been in place for nearly two decades. Canadian universities and provinces still squabble in front of international audiences over standards and rankings, to the bemusement of our competitors.

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More recent Canadian champions in the telecom/technology sector have had mixed international success: Mitel was swallowed by IBM. But Nortel is the most galling case, having won success and then blown it. The final salt in Canadian taxpayers' wounds: the sale of billions of dollars in Nortel patent properties, mostly subsidized by Canadian taxpayers over decades.

Most often it is small entrepreneurs who landed with a suitcase and a sample box years ago, and then came back year after year to Asian markets, that are the real heroes of Canada/Asia trade relations. A favourite among trade diplomats over two generations is the company that began with the prosaic name of the Ajax Escalator Hand Rail Co. Ltd. The family-owned firm saw that escalator handrails were usually designed to a one-off spec, required a high level of craft to make and had to offer an equally high level of quality and reliability. Like pilot fish swimming in the wake of killer whales, they grew up in Asia markets following the Japanese and European escalator and elevator giants.

For large corporations to succeed outside a home market, even in a different time zone, in a physically vast market like Canada or the United States, it is essential for ambitious young managers to understand that a career to the top cannot be built by sticking close to head office. Lou Gerstner stunned the still surprising-ly parochial IBM in the 1990s by declaring that any executive seeking to compete to lead a global business...
line must have managed an IBM business in a country not of his or her ethnicity, in a language her or she did not speak.

As an adviser to the firm in those days, I can attest to the leap in the number of young keeners from Akron, Ohio, and Austin, Texas, lining up to manage IBM businesses in Indonesia, Malaysia and markets far more obscure. Few Canadian corporations place such a premium on demonstrated international qualification; indeed some still discriminate against those who have “been away” too long.

Another contributor to Canadian querulousness is the sticky issue among trade experts, diplomats and academics of “national champions.” Debate has recently broken out more fiercely in the wake of the aggressive new role of sovereign wealth funds and the explosion onto the global stage of Chinese and other state-owned enterprises. The divide is over the proper response of governments with more genuinely market-oriented economies to the use of political power to advance economic interest, using nominally independent national corporations.

First, as with farm subsidies, there are no virgins in this domain, increasingly bellicose and finger-pointing rhetoric notwithstanding. In the technology and defence sectors, every G8 government has settled a heavy thumb on the scales where large international contracts are concerned. Everything from public flattery of the leaders of the purchasing country, to linkage of other policy issues to a successful sale, to bribery and threats, are regularly employed weapons in the arsenal of governments seeking to win a multi-billion tank or telecom contract.

Public claims that the murky methods that tilt the playing field in favour of your national champion have been abolished, that international trade rules have been cleaned up, should be seen in the same light as claims of victory in the war on drugs — and for similar reasons. When the impact of a win in a defence fighter contract is thousands of jobs for decades, on top of billions in profit and millions in tax revenue, the stakes are too high to believe claims of trade law virtue.

One may be confident that Siemens will not soon be so flagrant in its use of schmiergeld — grease — in its search for international wins, having been hit with nearly a billion dollars in fines both in Europe and the US, suffered years of humiliation in the courts and the media, and having lost a large number of key executives in the debacle. One might not be so confident about the behaviour of their competitors, or for that matter a new generation of German executives a few years from now, watching juicy contracts disappear to their opponents for “noncontractual” reasons.

The more salubrious support of national champions, openly deployed by most governments, involves the use of ambassadors, local allies, political relationships and discount financing. This type of support for the home team in markets far away is kosher under international trade law. The challenge for all involved is understanding where the bright line between clean and unclean methods runs. When and at what level is a large payment to a local partner for “market introduction services” legitimate, and where is it clearly intended to be used as local grease?

Canadians have fallen so far short of even the most defensible competitiveness tactics that our national champions have often lost, and remained silent, when others would have raised hell. For example: a large Canadian aircraft manufacturer lost a bid in the 1990s to supply a significant number of small jets to an Asian air force for the use of its leadership and troops, aircraft able to be widely and quickly deployed in the region. The Canadians won every level of the competition over more than two years. They whipped the American and European competition on every metric of assessment. But at the 11th hour the contract went to a large American competitor. When the Canadians protested and asked how that was possible, they were told that one of the specifications had been tweaked — after the fact — to benefit the Americans. The Asian officials were open about the fact that the US had made it clear, at the level of the White House, the consequences in other areas of shared policy concern if they failed to make the wiser choice. The local officials asked the angry Canadians quite reasonably what other decision could they have made in the face of those stakes.

Now a French competitor would probably have had a counterpunch in the form of some threatened attack delivered quietly from the president’s office in the Élysée. Even the more circumspect Brits would probably have had a senior political intermediary mutter gently, “How distressing it would be if such a small commercial disagreement were to do more lasting damage to the deep, historic and highly valued relations between our two nations.”

Catching Asia fever: Better late than never
The Canadian government reaction at the time was a shrug and a ritualistic private protest.

Although the details of what messages were delivered and by whom are years away from being revealed, knowledgeable insiders say that, more recently, Research In Motion’s response to

There has been a tendency on the part of Canadian business executives and officials to bemoan the fact that we are too small to compete against Asian and American giants in enormous markets, and that “the other guys always play dirty and we don’t, so how can we compete?! This loser mentality provides excellent excuses for failure to political masters and to corporate boards, but it is, of course, nonsense.

being attacked over security and privacy issues in a series of international markets suggests that Canada is beginning to grow a spine. Using a combination of international lawyers and government relations consultants, backed up by senior retired political figures, with high-level Canadian officials and political leaders in the background, RIM’s case was put with confidence and determination to a group of notoriously prickly trade partners such as India and Saudi Arabia. The compromises they won in nearly every case were acceptable to RIM.

The Canada/Asia economic relationship will grow to significant, sustainable levels only if each of these threads is pursued:

- Building consistent low-level relationships;
- Committing to focused, long-term market development;
- Strongly supporting the “Canada Brand” within the normal framework of commercial competition;
- Deploying the power of the governments of Canada to help qualified businesses succeed;
- Vigorously defending our players against foul play;
- Championing our Asian-Canadian communities in their home countries, and fostering bilateral ties;
- Training and mentoring a cadre of international executives.

This loser mentality provides excellent excuses for failure to political masters and to corporate boards, but it is, of course, nonsense. Alliance with a larger partner to deliver a profitable piece of a big project is one response, a focus on a specialty and protecting one’s competitive advantage within it is another.

We don’t accept this game of “wooden leg” — don’t blame me for failing to secure Asian markets, I have this wooden leg: I’m too clean and too small — where competition against American giants in the US is concerned. Why should other international markets be different? Indeed, in places like China and India, where Canada’s historic cultural and political relations with each are valuable assets, our brand can trump the more ambiguous view of Americans and of Europeans with colonial baggage.

The reasonable balance in this tug of war among experts about doing nothing versus using government as a battering ram on behalf of chosen winners is this: every Canadian business, university or other international player who qualifies for assistance in winning international contracts should get it. They should request it, however, not be instructed by officials, and the assistance — even if provided in confidence in private — should always be defensible in public.

Corporations that develop a deep bench of executives with real global experience will, over time, push their more parochial competitors aside. Governments that maintain a sharp focus on a few business sectors, a short list of qualified businesses within them and an even shorter list of markets will prevail over those who follow the “flock of Canada geese” trade promotion model.

Making Asia matter to the average Canadian is a challenge at a much deeper level. The Asia Pacific Foundation has done pioneering work in sponsoring research on attitudes and providing support grants to journalists and researchers to publish compelling stories about Canadians in Asia and wider national relationships. Several Canadian universities have developed internationally respected expertise on a broad array of shared Canada/Asia issues. Organizations like the Canada China Business Council, the Hong Kong-Canada Business Association, and their cousins in the community and along professional lines, have held conferences and seminars and inbound and outbound missions for years.

With the support of the business and academic leaders central to those organizations and of leaders from the key Asian-Canadian business and community groups, perhaps Canada’s governments will summon the courage to make the tough decisions to secure our economic future in Asia.

And to make Herbert Marler, our first Asia hand, smile from on high at last.

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