

Asian century: How B.C. can profit

As the U.S. takes a diminished role in global markets, B.C. well placed to reap benefits of Pacific Rim standing

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How long before a surging China eclipses a slumping United States as the largest national economy? The question is timely as the world continues to recover from the 2008-09 financial crisis and economic downturn.

A few years ago, leading prognosticators judged that the U.S. would remain No. 1 until perhaps 2040. Today, they are revising their projections given the global recession's sharply divergent impacts on emerging and advanced economies. A recent article in *The Economist* predicts the U.S. will cede top spot to China before the end of this decade.

China's ascent highlights a bigger trend that is reshaping the world order: the emergence of Asia as the fastestgrowing and most dynamic part of the global economy. As defined here, Asia consists of Japan, China and Korea, together with the numerous countries scattered across Southeast Asia, South Asia and Southwest Asia, along with Australia and New Zealand.

A new report from HSBC Global Research, *The World in 2050*, sheds some interesting light on Asia's position in the shifting international pecking order. By mid-century, Asia will have three of the four

largest national economies, measured in gross domestic product in constant U.S. dollars (China, India and Japan). Other Asian countries expected to be in the top 20 by 2050 are South Korea, Indonesia, Australia and Malaysia. Not far behind are Thailand, Iran and Hong Kong.

HSBC's forecast for the future trajectory of per capita income is also illuminating. According to its projections, between 2010 and 2050, income per person adjusted for inflation will soar sevenfold in China, and by between 300 and 600 per cent in India, Malaysia, Thailand and Indonesia. By comparison, in the U.S. it is expected to be about 80 per cent higher than today's level. This points to a dramatic expansion in the relative spending power of Asian households.

What is driving economic development in Asia? The story differs across the region. Some Asian countries benefit from sizable "demographic dividends," as their working-age populations increase at the same time as education levels improve; India is a prominent example, along with Malaysia and Indonesia. Other countries in Asia are moving quickly up the manufacturing and knowledge production value chains; China falls in this category. Australia and Japan are gaining from their proximity to and fast-developing commercial ties with Asian markets elsewhere in the region.

Across emerging Asia, forecasters expect brisk growth in domestic consumption as household incomes climb. In addition, most Asian countries are investing heavily to build infrastructure and upgrade education and human capital.

For B.C., Asia's growing importance within the global economy is being felt in several ways.

First, our exports to the region are marching higher. For 2011, the value of B.C.'s exports to Asian markets will exceed shipments to the U.S. Lumber sales to China are on track to reach \$1.5 billion, up tenfold from a few years ago. Looking ahead, we expect the gap between Asia and the U.S. as a destination for B.C. export goods to widen, as America endures a period of sub-par economic growth.

Second, continued growth in trade between North America and Asia as a whole is driving business at both the Greater Vancouver Gateway and the Prince Rupert/Prince George northern corridor supply chain.

Third, because Asia is the world's biggest import market for so many commodities and raw materials, Asian demand for resource-based products is likely to be a source of persistent upward pressure on prices for many commodities - including some produced here in B.C. In this way, B.C. resource producers, their employees and the communities in which they operate all gain from Asian commodity demand, even if they don't sell directly into the region.

Finally, Asia supplies most of the immigrants (and foreign students) who arrive in the province each year. B.C. receives in the vicinity of 40,000 international immigrants annually, along with a sizable number of foreign students. Some two-thirds of these newcomers and student visitors hail from Asia, promising to strengthen people-to-people and business connections between B.C. and key Asian source countries in the years ahead.

Add it all up, and it's clear that B.C. is already seeing some of the consequences and opportunities flowing from what many analysts are calling the "Asian century."

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