Abstract: Much of the discourse on the Asia-Pacific Gateway economy has focused on the logistics and support capability necessary to support movements of goods to the North American consumers market. This inward-orientation is a natural outgrowth of the “pull” factors exerted by market forces. The recent rise of China has rendered a new approach necessary to the development of a West Coast Gateway economy. China’s voracious appetite for energy, raw materials, and agriculture goods necessitates a shift in our perspective on this Gateway economy from an inward oriented supply chain to an outward oriented one. This paper discusses a push strategy in the development of this outwardly oriented supply chain.
INTRODUCTION

The Asia-Pacific Gateway and Corridors Initiative (APGCI) signifies Canada’s desire to increase its economic orientation to Asia. It is intended to enhance and expand the physical infrastructure necessary to support the rising trade activities with Asia. With the emergence of larger cargo ships and rising demand for logistics efficiency, such investments to improve and maintain efficiency in the logistics networks with the hinterland is unavoidable. Indeed, such upgrade of logistics and port infrastructure is being carried out around the Asia Pacific Basin from China to Korea to Japan. New plans are afoot in countries China, Korea and Russia to determine the feasibility of a Northeast Asian Expressway as a means to extend the physical hinterland for their ports. These are simply natural outcomes of increasing trade which is concentrated in the Asia pacific region due to the rise of China.

This paper contends that the APGCI while essential is but one of the requisite elements in creating an Asia Pacific gateway economy in Canada. By themselves, transport networks do not determine the level of activities and direction of development. Logistics activities are interdependent with the economic activities they support. They both influence and are influenced by the underlying supply chains they serve. By analyzing the supply chain relations represented in the Trans Pacific trade, the APGCI seems to have addressed only the needs of the inbound supply chain from Asia and have left the needs of outbound supply chain from Canada as an afterthought. A successful gateway economy is dependent on its ability to generate appropriate services and value added activities to the supply chain it serves. Enhancement of the outbound supply chain must not be overlooked if we are to truly develop an Asian Pacific gateway economy in Canada. The underlying mix of the Asian pacific trade also suggests that the outbound supply chain from Canada is directly linked to the level of production and consumption in fast growing countries like China and India. Canada must develop a robust and outwardly oriented supply chain if it is to take full advantage of the economic growth in these countries.

A push strategy is proposed for the establishment of an outwardly oriented supply chain in this paper. Instead of merely responding to external changes or being pulled into being a logistics provider for the Trans Pacific trade, Canada should push its comparative advantages through the supply chain to its customers in Asia. This would involve a comprehensive approach to the Asia Pacific trade that goes beyond transport infrastructure. Integration with the Trans Pacific supply chain also require creation of sustainable business or supply chain relations, appropriate government regulations and policy to encourage greater exports where Canada has a competitive advantage, intelligent international trade policy to promote international demands, and efforts to foster supply chain relationships at the firm’s level.
BUILDING CANADA’S ASIA PACIFIC GATEWAY

The Concept of an Asia Pacific Gateway

The concept of a gateway or gateway economy is integral to the world of international trade and logistics. A gateway is typically a seaport or logistical hub through which traded goods are transported from producers to consumers located in a different geographical space. It is an vital component of today’s international supply chain. As such, an efficient gateway is important to the competitiveness and efficiency of the economic stakeholders using its services. The extent of a gateway is described by the reach of its logistic and service linkages through its network of inland ports, intermodal facilities and transport corridors. As a service provider, a gateway must compete for customers based on its natural advantages and operational efficiency. An effective gateway must be able to add value to and enhance the efficiency of the global supply chain.

A successful gateway is also an important regional growth pole. It spurs regional growth through its demands for infrastructural investment and logistics services beyond its immediate vicinity. These so-called backward linkages are often seen in the networks of transport hubs, inland ports, and intermodal terminals along the gateway’s transport axis. As the gateway grows, expansions in such networks are necessary in order to allow for increases in logistics and warehousing capacity, improvement in compatibility of good flows, and better intermodal synchronization, leading to emergence of other regional logistics clusters. These logistics clusters would in turn reinforce the effectiveness of the gateway seaport by affording its operations scale economies and increased logistics capability as it attempts to serve the global supply chain needs of its clients. A gateway economy is thus a multi-purpose entity. It is both a growth pole and a central node of the logistics corridor for its physical hinterland.

The concept of an Asia Pacific gateway is motivated by the vision of Canada’s West coast as a logistics entry point for Asian exports intended for North American. The geographical location and human resources available in British Columbia’s lower mainland are identified as an economic asset capable of facilitating and supporting North American trade with countries in the Asia Pacific region. In other words, the area can be an important Asia Pacific gateway for the North American hinterland and must form part of Canada’s Asia-Pacific economic and trade strategy. This belief is reinforced by recent increases in Trans Pacific container traffic from China and rapid growth in the Chinese economy. Indeed, as global supply chain efficiency becomes increasingly reliant on seamless, secure and efficient multi-modal transportation, an efficient gateway is more crucial than ever to Canada’s global competitiveness. The development of Prince Rupert as an alternate and more time - efficient intermodal link to the North American hinterland is an important validation of Canada’s Asia pacific gateway strategy.\(^1\)

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1 Moving goods through Prince Rupert to the North American hinterland allows shippers to reach Chicago, Memphis and central Canada with a saving of 6 to 10 days in transit time (Al Campbell, September 20, 2010)
An Asia Pacific gateway economy is thus a logistics network in support of the increased trade between North America and the Asia Pacific region. Development of this economy has been given renewed impetus by the recent rise in the Chinese and Indian economies and led to the Asia-Pacific Gateway and Corridors Initiative (APGCI).

The Asia Pacific Gateway and Corridors Initiative (APGCI)

The Canada’s Asia-Pacific Gateway and Corridor Initiative (APGCI) was introduced by the Government of Canada in 2006 as a way to support and encourage economic intercourse with Asia. It is defined as “a network of transportation infrastructure including British Columbia’s Lower Mainland and Prince Rupert ports, their principal road and rail connections stretching across Western Canada and south to the United States, key border crossings, and major Canadian airports.” The corridors created by this initiative would also enhance Canada’s transport capacity for North American exports, while establishing more efficient links between the Vancouver gateway and Western Canada. This initiative adopts an integrated governance approach to developing a gateway economy. This means the various aspects of a gateway economy from logistics and infrastructure to public regulations and operational practices, as well as interests of various stakeholders are brought to bear in the implementation of this initiative. This Initiative is made up of an integrated set of investment and policy measures designed to (1) augment Canada’s commerce with the Asia-Pacific region; (2) increase Canada’s share of North America bound container imports from Asia; and (3) improve the reliability of the Gateway and Corridor for Canadian and North American exports.

The focus of the APGCI initiative is thus an improvement in the integration and coordination of Canada’s transport system to serve the North American hinterland. Indeed, a network of regional gateways and inland ports would develop along the corridors to create a stronger transportation and logistics network. The resultant rise in transport and logistics capacity along the corridors should lead to greater economic efficiency due to economies of scale in transport volume and greater time efficiency due to better integration between production and distribution. To the extent that it allows for better coordination among the stakeholders and more efficient cross border flows, the initiative would also lead to better operational practices and greater reliability of distribution.

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3 Ibid

4 Jean-Paul Rodrigue et. al (2009)
A SUPPLY CHAIN PERSPECTIVE ON THE ASIA PACIFIC GATEWAY AND CORRIDORS INITIATIVE

APGCI in a Supply Chain Context

The APGCI project undoubtedly represents a timely improvement of Canada’s transport system and logistics capability. It allows Canada to keep up with the increased demand rising trade activities have placed on its logistics and transport structure. However, by itself, it does not constitute a complete strategy to take advantage of the economic growth in Asian countries such as India and China. An efficient logistics network is a necessary but not sufficient condition for promoting trade with Asia. A conscious strategy to integrate Canada into the global supply chains involving these countries is also necessary. Without such a strategy, Canada’s West Coast will merely evolve into a logistics hub, albeit an important one, for imports destined the North American hinterland.

The impact of supply chain practices on the logistics system is well known. Practices such as just-in-time inventory management, postponement in product labeling and assembly, outsourcing, off-shoring, 3 PL, 4PL, and various e-fulfillment techniques have all had an impact on how global supply chain are designed. The need for an efficient and lean supply chain has led to some supply chain and distribution activities such as break bulking, product consolidation, packaging and labeling being carried out at or close to distribution or transportation hubs. These activities can generate significant spinoff benefits for a gateway economy by consolidating its economic role through supply chain service provision. Gateway locations that can add value to the supply chain through such services would emerge as principal logistics and supply chain centers in the global trade system. Where these centers are located would in turn influence the flows and volumes of trade through various ports. A competitive port or gateway economy must be able to offer geographical and supply chain advantages to the global supply chain leaders.

\[5\] Most supply chain are hierarchical in organization led by dominant leading firms. See Humphrey, J and Schmitz, H. (2002).
As indicated in the stylized supply chain\(^6\) in Figure 1, relations across the supply chains are multifaceted. Effectiveness and competitiveness of this supply chain depend on each link in this supply chain working closely and efficiently with their immediate supply chain partners. Efficient flows of materials and goods along the supply chain require an equally efficient flow of information and operational interface. Indeed, supply chain practices such as just-in-time inventory, outsourcing, 3 PL and many e-fulfillment practices presume a high degree of collaboration and integration among supply chain partners. This need for supply chain integration has led to alliances and networks formation among participants in the same supply chain. In some instances, this is accompanied by backward integration and cross ownership\(^7\) making supply chain relations itself a subject of supply chain practice. In general, the underlying relations among partners of a supply chain will both determine and be shaped by the dynamics and evolution of the supply chain they serve\(^8\).

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\(^6\)This diagram is constructed as adaptation from the SCOR model published by the Supply Chain Council.

\(^7\) James Wang et.al. (2004).

\(^8\) For instance, the degree of supply chain integration required by practices such as just-in-time inventory management and outsourcing of production functions may be higher than that which is required by the use of third-parry logistics providers.
Inbound and Outbound Supply Chains

The supply chain concept is a helpful tool for analyzing the prospects and effectiveness of the APGCI. Specifically, supply chain relations can be used to identify the role of logistics and transport services in the working of a supply chain and how they may be affected by changes in the supply chain. As seen in Figure 1, logistics services, along with other services such as finance, technology etc. are part of the supporting infrastructure of the supply chain. The volume of goods flowing through the supply chain would determine the demand for such services; thus, the use of gateway services. At any point in time, optimization of a supply chain would occur within a given existing logistics environment. Over time, however, evolution in supply chain practices would also influence logistics practices and infrastructural requirement. The ability of a gateway to support and grow with the global supply chain will determine its growth over time and whether it would transform itself into a supply chain service centre or remain a transit point in the global supply chain. A logistics gateway must become an integrated part of the global supply chain if it is to evolve into a meaningful gateway economy. This means, to be successful, development and evolution of a gateway must be compatible with the business and logistics requirements of the supply chain(s) it intends to serve.

Using the supply chain analogy, two general and highly stylized supply chains are identified as users of Canada’s West Coast gateways of Vancouver and Prince Rupert and their associated corridors in Figure 2. The first supply chain represents the inbound traffic of manufactured imports from Asia destined for consumers and firms in the North America hinterland. The second captures the outbound traffic created by Canadian exports of mainly intermediate components as well as primary and agricultural products to Asia. These two supply chains reflect the general trade structure between China and Canada.

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9 While Singapore serves as an important offshore logistics hub, it has not regionalize its operations like Hong Kong which is connected to the production base in Southern China.

10 Canada’s exports to Asia generally consist of raw materials, minerals and components while imports from Asia are comprised mainly of manufactured goods.
Theoretically, these two supply chains are not independent of each other. They may be viewed as part of the same supply chain as depicted by the linkage between the production hinterland and manufacturers in Figure 2. Resources and components exported from Canada might be utilized in the manufacturing of exports destined for North America. For the purpose of the present analysis, however, each of these supply chains is viewed as part of a unique, terminating supply chain – one emanating from Asia for the consumer markets in North America, with the other one originating in Canada for Asia. The same West Coast logistics gateways allow these supply chains to span across the Pacific Ocean linking the production foreland in Asia with the consumer hinterland and resource base in North America.

While the transport infrastructure created by the gateway corridors would facilitate movements of goods in both the inbound and outbound directions, the disparate nature of the two supply chains in Figure 2 hints at differences in their logistics requirements and implications for developing a gateway economy.

As noted earlier, the inbound traffic through the Pacific gateway and corridors to the North American hinterland is made up largely of exports from Asia Pacific in general and, increasingly, China in particular. These corridors are well situated to take advantage of the relative proximity of Canada’s West Coast ports to distribution points in the hinterland. Specifically, they offer a reduction in transit time for Asia Pacific exports to reach their North American consumers when compared with alternate gateways along the American West Coast. This faster transport route
should improve cycle time and reliability of the supply chain. Provided trans-shipping through Canada’s gateway ports proves also to be a cost-effective way of managing the supply chain, the Pacific gateway and corridors will form a viable and competitive transport network for Asian exports to North America.

Given that much of the consumer goods channeled through this gateway are destined for the U.S. market, the main role of the gateway economy with respect to inbound traffic would be that of a transport service provider. This is because distribution strategy for these goods will be influenced heavily by the density and locations of the final consumers. Their centers of distribution are not likely to be located near the West Coast ports but away in the hinterland. The port facilities and their corridors will not be more than transport hubs and supporting infrastructure for the inbound supply chain from the Asia Pacific region. The volume of inbound cargo traffic through the Pacific gateway is ultimately determined by North American demand for Asian exports and the ports’ ability to compete with other ports on the U.S. West Coast. The immediate benefit of a growing Chinese economy for the gateway economy is that of a rise in demand for its transport and logistics services driven by the increased trade between China and the hinterland economy. The spinoff benefits from this gateway economy for regions along the corridors maybe rather limited as the flow through container traffic creates no new demand for logistics services outside the gateway and the logistics centres in the hinterland.

Concomitant to the surge in Asian exports to North America, economic growth in China has also led to a rise in Canadian exports to satisfy China’s voracious appetite for raw materials and primary products. It is thus also in Canada’s interest that the APGCI should serve to improve Canada’s export competitiveness by creating an efficient transport infrastructure to facilitate outward movements of Canada’s exports to Asia. Canada’s exports of primary and agricultural products would form the foundation of an outward supply chain serving the manufacturing and consumer bases in the Asia Pacific region. Outputs across Western Canada would be transported from various inland regional ports and hubs linked to the corridors for eventual shipment to Asia.

In principle, capacity and services for outbound traffic through the gateway corridors should benefit from the increase in inbound traffic because of the rise in backhaul capacity. After all, growth in inbound container traffic would lead to a rise in the container traffic in the opposition direction. However, such has not been the case. Commodity and agricultural exports from Canada often rely on bulk transport rather than on the use of containers because of their relative low unit value. The higher handling costs and inefficient distribution of inland container ports also means that lower container transport rates for Canadian exporters on the prairies have not materialized\(^\text{11}\). The fragmented nature of the grain transport networks continue to make trucking

\(^{11}\) See Quorum Corporation (2007).
and rail transport the key logistics elements of its supply chain. Containerization is not a method that Western Canadian exports can take full advantage of in the near term.

An important distinction between the outbound and the inbound supply chains is the fact that demand for Canadian exports is driven by overall economic growth in Asia and China, not merely exports from these areas. Chinese demand for Canadian exports may not necessarily fall with any decline in Chinese exports to North America. It is overall economic growth in China rather than its export performance that determines its demand for Canadian exports. Even if domestic consumption replaces exports as the engine of growth China, as many predict, Chinese demand for Canadian exports of commodities and agricultural products will likely remain steady, or will even expand. This supply chain relationship between economic growth in China and her demand for foreign goods is the reason Australia, a major supplier of commodities and agricultural products to China, has continued to exhibit strong economic growth in the face of the global recession since 2008.

We have thus identified two factors that have introduced an element of asymmetry into the inbound and outbound traffic flows through the Asia Pacific Gateway. First, the degree of reliance or usage of containerization is not the same for inbound and outbound traffic leading to a potential barrier to maximum efficiency in container traffic through the gateway. Second, the volumes of inbound and outbound traffic are functions of different, though not entirely independent, variables. While the former depends on North American demand for Asian exports, the latter relies on general growth performance in Asia, not just its exports. To the extent that domestic growth may become an ever more important engine of growth in an Asian giant like China, this asymmetry carries with it significant longer term implications for the notion of an Asia Pacific Gateway economy. That is, we must not overlook the outbound supply chain from Canada. It should be an equally important element in Canada’s Asia Pacific Strategy vis-à-vis the APGCI.

BUILDING AN ASIA PACIFIC GATEWAY STRATEGY

The China factor

The importance of global supply chain relations is admitted in the goal of APGCI to maximize the benefits of trans-Pacific trade, particularly with China, for Canada. The APGCI is to support Canada in its efforts to benefit from the economic rise of Asia. The logistics infrastructure associated with APGCI is clearly a necessary element of any strategy to improve and promote economic interaction with Asia. However, by itself, APGCI does not constitute a complete strategy for establishing an Asia Pacific gateway economy. Canada must play a bigger role in the global supply chain beyond that of a logistics provider. If the objective is to take

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advantage of China’s economic growth, two additional elements are necessary in the formulation of a China strategy. The first is related to the logistics orientation of the APGCI. While the second addresses Canada’s business orientation and strategy in general.

To date, much of the discussions around the APGCI have been about container traffic from China and the increased efficiency the Canadian gateways and corridors would offer. Capturing a larger share of the inbound container traffic destined for the North American hinterland seems to an important impetus for the APGCI. This suggests a response to external market change and an acceptance of the existing supply chain configuration, on the part of Canada, for its gateway strategy. While responding or being pulled by market forces is generally considered an appropriate reaction, this approach also leaves Canada vulnerable to external market changes and must continue to compete for a supporting role in the supply chain.

More importantly, we have overlooked the outbound supply chain and the natural or comparative advantages Canada enjoys. In other words, while we have increased our competitiveness as an enabler of the Trans Pacific supply chain, we have not enhanced our competitiveness of a supplier in the outbound supply chain. The latter is of crucial importance if we are to increase our trade profile in the Asia pacific. In addition to efficient corridors connecting the gateways to the hinterland, the outbound supply chain also requires a network of inland ports, transport hubs and, perhaps, new container facilities to assist in moving its exports of commodities and agricultural goods to the gateway and onto Asia. Canada must improve its logistics platform for exports if it is to play a larger role as supplier of energy, commodities and agricultural products to China. Unlike the inbound supply chain, growth in the outbound supply chain is likely to generate economic benefits throughout the Canadian prairies as export production and demand for logistics and support services grow.

The second element to introduce into Canada’s Asia Pacific trade policy is a new approach to promoting trade relations with the Asia pacific region. Canada must adopt a more comprehensive and aggressive approach to expanding and integrating Canadian stakeholders into the outbound supply chain. It must go beyond merely responding to exogenous changes to the international trade environment and begin to create the requisite conditions for a more robust trade regime with the Asia Pacific. It must undertake to energize and enhance the underlying business relations embedded in the Trans Pacific supply chains. It is the nature of these relations that will shape the future of the outbound supply chain and Canada’s overall trade relations with Asian countries such as China. Closer business and supply chain relations with Asia are needed to enlarge the outbound supply chain from Canada. APCGI must be accompanied by concerted efforts to foster and develop business ties with Asia in order for Canada to take full advantage of the economic growth in Asia. This is the essence of the “Push” strategy discussed in the following section.
A Push Strategy for APGCI

It must be admitted that the present discussion is going beyond the confines of transport policy represented by the APGCI, which has focused on the economic benefits of serving the inbound supply chain destined for the hinterland. It can thus be said that Canada is “pulled” into the Trans-Pacific trade orbit as a logistics provider for imports into North America as it strives to capture a larger share of the Trans Pacific container traffic. Another perspective of Canada’s role in the Trans Pacific trade is that of a supplier of key inputs and products. To enhance this role, Canada should also strive to integrate itself into the Trans Pacific supply chain accordingly. This can be termed the push approach.

The terms pull and push are adapted from the literature on inventory management and marketing. For example, when inventory moves through the supply chain in response to customer demand, it signifies a pull orientation as inventory is being pulled by actual demand through the supply chain. When a firm anticipates customer demand by placing inventory at the point of sale, it is said to have adopted a “push” strategy as inventory is being pushed through the supply chain by the firm. In marketing jargons, a pull strategy is typified by general advertising and dissemination information to the consumer while a push strategy is the use of sale people to aggressively promote a product to the consumer through direct contact. In sum, a pull strategy implies the role of a responder while push strategy implies the action of an instigator.

In principle, optimizing of supply chain performance requires close collaboration and trust among supply chain partners. A well integrated and competitive supply chain is characterized by supply chain and logistic practices that would lead to a high degree of efficiency, reliability, responsiveness, agility, and cost effectiveness. Supply chain integration is thus a goal and a guide for Canadian producers and exporters who wish to participate in the Trans Pacific trade. This means they should aggressively promote their products to end consumers or supply chain leaders in Asia, establish an efficient logistics network in support of their exports, build supply chain partnerships through collaboration, and integrate themselves into the appropriate distribution channels in Asia and China. In other words, Canadian producers must “push” their products through the supply chain to Asia and try to shape the underlying supply chain to their benefit. This implies an active approach to building trade relations with countries in the Asia – Pacific region. Building the appropriate logistics infrastructure and business or supply chain relationships are both important to creating the appropriate export capability and cultivating the outbound supply chain in Canada.

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13 In the terminology of inventory strategy, pull means responding to market demand or forces.


15 Technically, logistics providers are supply chain partners too.
The suggestion of fostering a competitive outbound supply chain is not made in the tradition of industrial policy of the past. Rather, it is recognition of the necessity of being part of a global supply chain in today’s hyper-competitive global environment. Canada cannot expect to maintain its competitive positions even in areas where it has enjoyed traditional advantages such as agricultural goods and resources unless it is better integrated into the global supply chain. For example, Canada’s share of world wheat exports has fallen from 23% to 15% over the past 15 years, while Russia has surpassed Canada to become the number three exporter of wheat in the world. Meanwhile, Brazil has overtaken Canada as the number three agricultural power behind the U.S. and E.U. Unless Canada start to address many of the weaknesses besetting Canadian agriculture such as poor transport services, inefficient farm size, high farm debt and inefficient regulations, Canada is likely to further lose competitiveness further against countries such as Ukraine, Kazakhstan and Russia where the agriculture sector has experienced significant increases in output and investment in recent years. Indeed, in order to address “the lack of vision for agriculture in Canada”, the Canadian Federation of Agriculture (CFA) has recently launched a Canadian National Food Strategy to develop a long term plan for Canadian Agriculture, help modernize regulation, promote innovations, and make Canadian products preferred products in the international markets. In other words, the CFA is advocating a push strategy to solidify Canada’s position in the global agricultural supply chain.

Another story of successful integration into the global supply chain is provided by Wigmore Farm Inc. of Saskatchewan. Instead of passively continuing with its traditional production of flax and wheat, it switched to the production of lentils in 2005 after new markets and customers were identified abroad. Production is planned according to the contracts it has obtained overseas. Today, Wigmore Farm sells branded products in 30 countries including Morocco, Bangladesh, Algeria, China and India. It has grown from 8,000 acres in 2005 to 43,000 acres in 2010 employing 90 employees, up from 2 in 2005. An intimate knowledge of consumer needs abroad and collaboration with its customers allow Wigmore farm to operate successfully in the international market. This means knowing the needs of your customers and pushing your products through the supply chain to meet these needs is a business model worthy of imitation.

Aside from agriculture, there are other goods that we should push through the supply chain. These include minerals and energy related products where Canada enjoys a comparative

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16 Jang, Brent, November 24, 2010.
17 80 percent of Canadian farms have revenue less than $250,000 which is the min for efficient scale to compete. (Globe and Mail, November 23, 2010)
18 Ibid.
19 Ibid
advantage. Like the agriculture sector, the resource sector produces products that are rising in demand in China. Its growth is important to the long term health of the Canadian economy. Exports of coal, copper, iron ores, coal, petroleum and uranium allow Canada to directly benefit from the economic growth in countries such as China and India. However, this strategy requires development of the supporting infrastructure and strong supply chain relationship with end users or supply leaders in these countries. The large capital requirement of constructing the necessary infrastructure for exports of petroleum products and LNG begs the questions of direct investment by foreign buyer (a supply chain partner) and appropriate government regulations in Canada. Pushing these products through the supply chain generates significant benefits for the welfare of the Canadian economy but also invites controversial issues involving the environment and the First Nations as seen in Enbridge’s Northern gateway pipeline project to transport petroleum to Asia. Indeed, in a recent paper published by the Council of Canadian Chief Executives (CCCE), governments in Canada are urged to work closely with the business community to develop a national strategy for the development of energy and environmental technologies to make Canada a leader in energy and related technologies. While this paper does not address exports to Asia specifically, many of its recommendations are relevant to the Asia Pacific scene.

The above discussions seem to suggest that a comprehensive policy on the development of the energy and agriculture sectors are presently absent in Canada. Developing the outbound supply chain requires more than a rigorous transport policy. It must include policies on productivity, marketing, infrastructure, government regulation, and trade and investment relations. To the extent that capital, both foreign and domestic, is required to develop the logistics infrastructure and the resources themselves, conducive investment policies and a stable investment environment are also needed. Developing the outbound supply chain demands a broad, collective effort. Moreover, Canada must not overlook the macroeconomic environment in which the global supply chain functions. Competition among nations on behalf of their export industry would also impact on the supply chains that Canada wishes to participate in. This means participation in multinational trade bodies and discussions such as APEC Business Advisory Council (ABAC), Free Trade Area of the Asia Pacific (FTAAP), and the Trans Pacific Partnership (TTP) are important in safeguarding Canada’s Asia pacific trade interests.

In addition working to Canada’s strengths in primary products, a robust outbound supply chain would also serve to enhance Canada market position in the Trans Pacific trade. Instead of being a

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21 The recent contract between Cameco of Saskatoon to supply 29 million pounds of uranium concentrate to China Guangdong Nuclear Power Holding Co. Ltd (CGNPC) until 2025 is an example working with a supply chain leader in China to benefit from China’s growth (Globe and Mail, November 25, 2010).

22 CCCE, November 2010.

23 Canada is currently not part of this forum.
logistics provider, Canada will be a supplier of essential commodities and products to China. Canada will become part of the value or production chain serving the China market. This would allow Canada to be more than a respondent to the rise in trade activities through the inbound supply chain and become a player of influence in the Trans Pacific supply chain.

However, unlike the inbound supply chain where China plays the role of an intermediate partner in the value chain with American firms as the supply chain leaders, China will be the leader of the outbound supply chain through its role as the final buyer of Canada’s exports. Working with our Chinese partners in the supply chain and understanding their business culture will become a necessity. We must anticipate market demand and its supply chain requirement by injecting ourselves into the decision making process. Planning in Canada should also consider what is required to optimize the supply chain we intend to serve. For example, maximizing supply chain efficiency may require Canada to take into account the logistics needs and conditions further down the supply chain when fashioning our logistics practices. Is bulk shipping the most efficient methods to sell pulse products to China when trucks are the most common transport mode in China? Would the lack of refrigerated containers in China be a barrier to beef exports from Canada? Moreover, do Canadians have the general awareness and skills to collaborate with their Asian counterparts? Do we have an investment climate that is conducive to investment from our Asian supply chain partners who may wish to invest in their Canadian partners as a means of supply chain integration?

The push strategy is thus a new orientation in our perspective on trade and business development with the Asia Pacific region in general and China in particular. We must develop our exports sector in concert with the requirements of the global supply chain in a comprehensive fashion. Our planning must take into account supply chain conditions beyond our borders.

CONCLUSIONS

The push strategy to developing an outwardly oriented supply chain offers a different perspective on developing an Asian Pacific gateway economy in Canada. While the benefits of the APGCI for the inbound supply chain are clear and not disputed, it does not constitute a complete Asia pacific strategy in this author’s mind. By focusing on Canada’s competitive advantages, growth in the outbound supply chain will bring benefits to Canada beyond the regions of the West Coast gateways. This strategy calls for a more comprehensive approach to expanding the Asia Pacific trade for Canada. The supply chain oriented approach advocates an “integrated” approach to growing Canada’s trade capacity. This approach encompasses trade policy, business regulations, logistics infrastructure, market promotion, direct investment, and business relations in its discussions and policy formulation. It suggests a more proactive approach to pushing Canada’s trade advantages through the Trans Pacific supply chain. We must become an active supply
chain player and more than a logistics provider if we are to maintain our competitive trade position over time.
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