



The Empire Club Presents

THE HONOURABLE MICHAEL CHAN, MINISTER OF INTERNATIONAL TRADE

with

SECURING ONTARIO'S LONG-TERM ECONOMIC GROWTH AND STABILITY THROUGH FREE TRADE AND DIVERSIFICATION

June 19, 2017

**Welcome Address, by Paul Fogolin, Vice President of
the Ontario Retirement Communities Association and
President of the Empire Club of Canada**

Good afternoon, once again, ladies and gentlemen. I hope you all enjoyed your lunch. From the One King West Hotel in downtown Toronto, welcome, to the Empire Club of Canada. For those of you just joining us through either our podcast or our webcast, welcome, to the meeting.

Before our distinguished speaker is introduced today, it gives me great pleasure to introduce our Head Table Guests. I would ask that each of you rise once your name is called. Typically, masters of ceremony ask the audience to refrain from applauding, but anybody who has been to an Empire Club lunch this season knows that I do not believe in that, so clap as much as you can for each of our wonderful Head Table Guests.

HEAD TABLE

Distinguished Guest Speaker:

The Honourable Michael Chan, Ontario Minister of International Trade

Guests:

Mr. David Agnew, President, Seneca College

Ms. Johanne Bélanger, President and CEO, Tourism Toronto

Mr. Chris Donnelly, Vice President and Counsel, Regulatory & Public Affairs, Manulife

Ms. Barbara Jesson, President and CEO, Jesson + Company Communications Inc.; Director, Empire Club of Canada

Mr. Paul Lehmann, Director, Government Relations, BMO Financial Group

Mr. Jeff Shell, Managing Director and Co-Head, Global and Trade Banking, BMO Financial Group

Ms. Jan De Silva, President and CEO, Toronto Region Board of Trade

Ms. Sue VanderBent, CEO, Home Care Ontario; Director, Empire Club of Canada

Once again, my name is Paul Fogolin. In my day job, I am the Vice President of the Ontario Retirement Communities Association and your President for the Empire Club of Canada. Ladies and gentlemen, your Head Table.

I would also like to thank the Canada China Trade Innovation Alliance for sponsoring our student table. We have a group of students from Centennial College. Please, stand up. Wonderful.

When the Empire Club was founded in 1903, Canada's foreign trade amounted to roughly \$450 million per year—the Minister is laughing already. Today, the province of Ontario, alone, conducts over \$1 billion in trade per day, and that is just with our largest trading partner, the USA. In light of this, it comes as no surprise that President Trump's promise to renegotiate NAFTA will have a massive effect on the Ontario economy. It is tempting, sometimes, to close our eyes and wish this grim reality would just fade away like a bad dream. We all know, however, it is not in our collective best interest to stick our heads in the sand. Any good financial advisor will recommend that their clients diversify their investment portfolio. It is unwise, after all, to have all your eggs in one basket. The same can be said of governments and trade. The U.S. will always remain our strongest partner, but if we wish to maintain the standard of living that we have and wish to continue to fuel economic growth, we need to diversify our trading partners, and increasingly focus on emerging markets where there is the most opportu-

nity for growth.

It is not just about expanding who we trade with; it is also about considering what we are promoting to the world. There needs to be a larger focus on new economies, sectors like fintech and cleantech to complement the more traditional industries that have dominated trade for centuries, such as resources and manufacturing. All of this requires leadership.

Here, in Ontario, we are fortunate to have a Minister of International Trade who is enthusiastically embracing diversification, exploring new opportunities and leading the province in an exciting new direction. Michael Chan was first elected to the Ontario legislature as the MPP for Markham in a by-election in 2007. He was then elected as the MPP for Markham–Unionville in 2007 and re-elected again in 2011–2014. During his tenure at Queen's Park, Minister Chan has also served as Minister of Revenue and Minister of Citizenship and Immigration.

Prior to embarking on his political career, Minister Chan, who emigrated from Hong Kong more than 40 years ago and has lived in Markham since 1995, owned and operated an insurance brokerage firm. Chan and his wife, Elaine, live in Markham with their two sons, Alex and Brian.

Let us provide a very warm welcome for our guest of honour today, Ontario's Minister of International Trade, Michael Chan.

Michael Chan

Thank you, thank you. Thank you very much, and, of course, I am delighted to be here. Friends, ladies and gentlemen, good afternoon.

I want to begin by thanking the Empire Club for organizing this event and for hosting it today. To our sponsors, Manulife and BMO, thank you so much for your support. Thank you for your participation. I want to thank the Canada China Trade Innovation Alliance for sponsoring the student table, as echoed by President Paul Fogolin.

This year, 2017, is a great year, a great year to celebrate birthday parties. Of course, Ontario and Canada are 150 years old. You know what? Manulife is 130 years old, and the eldest brother of them, BMO, is 200 years old. Talk about population aging, here you go. Congratulations, to you all for reaching these important milestones!

Ladies and gentlemen, events like this allow us to evaluate what we have while empowering us to think ahead to what may come. On that note, I have been thinking about how our actions today will shape Ontario's economy tomorrow and beyond. I want to say thank you. Thank you very much for taking time out of your busy schedules to hear about the importance of international trade amid a shifting global economic and political landscape.

Today, I want to address how trade supports our government's top priority of driving economic growth and job creation. Also, I am going to describe how we are le-

veraging free trade agreements and diversification to our long-term economic growth. In my opinion, it is important to dream big and to have long-term plans, but it is just as important to plan that journey through peer growth and measurable results.

Ontario's economy is thriving. It is healthy, and it is strong. We have balanced the books for the first time in a decade. We have created 700,000 net new jobs since the global recession of 2008 and 2009. By the way, the majority of those jobs are well-paying, full-time and private-sector jobs. Our TDB grew by 2.7% in 2016, which is nearly twice as much as Canada's National TDB growth. It is also higher than the G7 countries. Ontario has worked hard to achieve these successes, which is the result of a plan and the team effort to invest in our people and our economy.

With over 140 million consumers, within a day's drive, our province is one of the most well-located economies in North America. Ontario business sectors are diverse, from agricultural food to auto, from financial services to high-tech and clean-tech, and from mining to movies. When I travel internationally to promote trade, I always highlight Ontario's strength, like our highly skilled workforce, our competitive business environment, our ability to access to free trade in key global markets, and our social and cultural diversity.

We all know that Canada is a trading nation and the U.S. is our greatest trading partner. Our economies are

deeply integrated through industry and people. Together, we generate over 1 trillion in trade, annually. Nine million jobs created in the U.S. are directly dependent on trade with Canada. We are each other's best customer. In fact, Canada and the U.S. do much more than trade. We build things together. In 2016, Ontario-US trade included a total of about \$400 billion. Compare that to just \$89 billion for Alberta; \$80 billion for Québec; \$40 billion for B.C., and you will see that the numbers tell a compelling story about Ontario. A strong Ontario means a strong Canada. A strong Canada means a prosperous North America. A prosperous North America means the largest trading block in the world. For that reason, Premier Wynne and I are actively building stronger ties with our trading partners.

In February this year, we created a premier-led, across-ministry committee on Ontario-U.S. economic and trade relationship. We host numerous round tables with business leaders to hear the wheels on the reopening of NAFTA. We retained the services of a provincial advisor on trade for Ontario, John Gero. John was the previous Ambassador to the World Trade Organization, Chair of the General Council. His knowledge and expertise will advance Ontario's interests with the U.S. and Mexico. Working closely with my colleagues across municipal, provincial and federal governments, we are shaping Ontario's position on key trade issues. Together, we support the federal government's effort to create a positive dialogue with our

partners in the U.S. and Mexico. The North American Free Trade Agreement links over 480 million people and produces over \$26 trillion worth of goods and services. It is the foundation of our strong trade and investment ties with our trading partners. It underpins the significance of mobility, the free flow of goods and services and people across the borders. Ontario supports open and free trade. Expanding trade is key to our economic future. Fundamentally, we are committed to protecting Ontario's interests and at the same time, deepening our business interaction with our NAFTA partners. In that respect, that is where regional free trade agreements, as well as bilateral trade and investment agreements are critical to ensure our province's long-term prosperity.

This summer, the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) comes into force. CETA is another avenue and platform that will strengthen Ontario's global economy. When fully implemented, CETA will immediately eliminate 98.6% of existing tariffs. It is expected to add \$4.5 billion to our GDP, creating 30,000 jobs. Through NAFTA and CETA, alone, businesses that trade internationally have access to about 1 billion consumers and tens of trillions of dollars in market values.

Let us also not forget the proposed bilateral Canada-China free trade agreement, which is in the early stages. Yet, in today's global economy, which is highly competitive

and complex, we are seeing shifting in trade policies that we have taken for granted. In my opinion, we are living in a time of risk amid growing protectionism, populism and geopolitics in some parts of the world. There is a temptation to turn inwards and to step back to a period of independence, not interdependence. Therefore, a steady-as-you-go approach to trade will not help us. We can no longer sit still. A culture of complacency must end. Overdependence on any one market or sector is not a preferred option. It is downright risky. I think, Paul, you talked about the importance of not putting all your eggs in one basket. Just imagine this: You are putting all the eggs into a hanging basket that has no bottom. This is really, really risky. Therefore, we must diversify our trade with the rest of the world now.

In my travels, I always promote Ontario in this way, by inviting companies and investors to come and invest and establish a presence in Ontario. We are moving quickly because we need our businesses to increase and diversify the export; we are moving quickly because we need to strengthen trade through diversification; we are moving quickly because global competition is already moving quickly; and we are moving quickly to protect the interests of Ontario businesses and workers. This is a critical time for trade, and Ontario seeks to be at the forefront of trade growth.

I want to draw your attention to look at what Ontario is doing to promote trade diversification. Last summer, Premier Wynne created the first-ever standalone Ministry

for International Trade. It is a clear signal from our government to support trade by outreaching to the world. Our Ministry is now the central hub for all the international trade activities for the province. We are investing skillfully to become a hub of talented people, a hub of ideas and a hub of innovation. The best example of this is the Toronto-Waterloo Tech Corridor, which is the second-largest innovation corridor in North America after Silicon Valley.

As the Ontario Minister responsible for international trade, my job is very simple, very easy. My job is to sell Ontario to the world, while, at the same time, attracting investment from the world to Ontario. We seek the kind of partnerships and diversification that boosts economies and that is able to withstand economic ups and downs. There is a saying where if you want to go fast, go alone, but if you want to go far, please, go together. Our Ministry's reference to trade, therefore, reflects on our government's approach, based on four key areas. The first emphasizes the diversification to new customers, to new markets, products and services. The second positions us as an operational centre for Ontario's trade ecosystem. The third, is a better drive of intelligence for better results, which matches collaborations and partnership through sound management and measurement. The fourth builds on strength in technology and innovation to drive trade diversification. We know that businesses that trade internationally tend to grow faster, be more successful and tend to generate quicker income. Through

trade diversification, consumers benefit from quicker choice and quicker investment options. When entering beyond our borders, we must be strategic by correctly identifying the goods and services that consumers from around the world are most interested in.

I will tell you one of our challenges is that it is rather difficult to capture trade statistics and impact on services. We are working to rectify this by developing new research and business intelligence gathering, which I referenced earlier. This is a key area of focus for us as we keep building partnership on this front. Yet, in Ontario, it is in diversified services that we are very, very strong, for example, in engineering, construction, innovation, education, tourism, finance and health, just to name a few. The rapid expansion of e-commerce has made headlines globally and is reshaping the business landscape. Some recent report has projected that the e-commerce market, by 2025, would be worth over \$2.5 trillion. E-commerce is not just a sales platform, but there is an entire enterprise of the technology behind it, from payments to cybersecurity; for example, in early February, while I was in India, I met with Paytm, the country's largest mobile commerce platform there, but do you know that they have a presence here in Toronto and now employ around 50 high-skilled workers, right here in Ontario's Innovation Corridor?

In April, I was in China. While in China, I witnessed a fascinating partnership taking shape between China-based

WeChat Pay and Toronto-based OTT Financial. Over there, these two companies have joined forces to enable visitors from China to pay for goods and services here in Ontario directly in Chinese money, Renminbi, through their mobile phones. WeChat currently has over 900 million monthly active users, and 500 million of them use WeChat Pay. I will let you do the math on the potential for Ontario businesses. In fact, just last week, they also signed with Alipay, Alibaba's mobile commerce division. This is a growing field. Ontario companies need to take notice. We must, therefore, leverage our strengths and competitive advantages to expand our trade in services as the world continues to demand it. We must broaden our trading partners globally, starting today. This does not mean we need to do anything less with the U.S. It just means we need to do more elsewhere by tapping into the world's faster growing economies in Asia and elsewhere.

Ontario is the centre of our country's manufacturing, finance, ICT and cleantech sectors, so we must fully leverage these strengths. Over the last two years, I have traveled far and wide to promote Ontario's trade agenda. Our team has been in Mexico, India, China, Germany, UAE, Qatar, the UK, and of course, USA. In all our travels, a common theme keeps emerging: We need more of Ontario. We need more partnerships. We need to trade more, globally. We need to encourage more of Ontario companies to go global. Ontario needs to be a market beyond North America and

the European Union to the Asian region, including, China, India, Japan, Korea, Brazil, UAE and others. In many ways, doing business internationally is a mindset. Ontario's presence in the market I just named is therefore not random. It is deliberate.

Obviously, we cannot be in every country in the world. This is why we target primary markets. In other words, we are going to where the real growth and opportunity is for us to help you trade relationships, to facilitate trade deals and to provide in-market support. Ontario has 13 offices around the world, in San Francisco, New York, Mexico City, San Paolo, London, Paris, Berlin, New Delhi, Mumbai, Hong Kong, Shanghai, Beijing, Tokyo and so on. Thanks to this year's budget, my Ministry will be expanding our global presence by adding staff to access all potential opportunities. These dedicated people are on hand to directly assist Ontario businesses with their international plans. Together, with our business sectors, we are building up Ontario to compete and succeed globally.

This leads me to an important point. We need to have a better and smarter engagement between our global offices and the companies that have or are planning to branch out internationally. We view this engagement as a partnership that I like to call a partnering with Ontario. This is how a diversification strategy works best for Ontario's long-term growth. Because of globalization, importance in trade will only increase in the months and years ahead

both in international trade and U.S. free trade agreements, and diversification is an important part of our government plan. It is crucial in helping business to expand abroad by growing our economy at home. It allowed us to leverage opportunities on the international stage, opportunities that protect our workforce and empower our economy, opportunities that maintain our high quality of life, opportunities that safeguard our future generations. We do all this to ensure Ontario remains competitive and prosperous in a safe, secure and stable place we call home, in the best province, in the best country in the world.

Thank you for the opportunity. Thank you. Merci beaucoup.

**Note of Appreciation, by Jeff Shell, Managing Director
and Co-Head, Global and Trade Banking, BMO
Financial Group**

Good afternoon. My name is Jeff Shell. I am the Co-Head of BMO's Global Trade and Banking Business. I am delighted to be here to thank Minister Chan for his remarks today.

I think I speak for everybody when I say how much we appreciate the message that you delivered today. Free trade and diversification are absolutely vital to our economic success. That is true in Ontario; it is true in Canada; and it is true broadly across the world.

Speaking on behalf of all of us at BMO, we are strong supporters of free trade. We are strong supporters of even freer trade. This is something that we work with our clients across the world to promote every day. We have 30 offices across the world—including 14 that are outside of North America—whose job is, day in, day out, to make it easier for Canadian companies to reach new markets and to find new clients. In fact, those 14 offices outside of North America cover every single city that the Minister mentioned, until he ended with Tokyo, of course, which is the only city that we do not, in fact, cover in person.

I am particularly excited to hear the messaging from you, Minister, about how we can be so much more successful if we work in partnership. The private side is going to do

our part. We are going to continue to support in the financial sector space, Canadian companies looking to do business abroad and companies abroad looking to do business in Canada, and so will the government, but when we do it together, we can just be so much more effective.

Broadly, I think we all understand, we all agree that free trade advances economic interest at home. It also enhances the economic prosperity of the world. We know that trade reduces poverty. We know that trade helps harmonize standards. We know that trade encourages value-added specializations in countries, and it reduces waste in the supply chain. It is absolutely a great thing to do for us and for the economies that we exist in and in the economies we support.

We also are probably more conscious of the value of diversification today than maybe ever. In fact, I am proud to say that our CEO, Bill Downe, was one of the first to publicly announce how essential it is that Canada and China work together on a bilateral free trade agreement. We are gratified and proud to hear the Minister's comments about progress that we have made, and we look forward to continuing along this trend. It is great for Canada. It is great for China. It will bring us closer together.

Minister, for all that you have done, for all you have said today and which all of us know you will be doing, thank you, and I want to wish you best of luck.

Concluding Remarks, by Paul Fogolin

A very warm thank you, once again, to our sponsor, BMO, as well as our VIP reception sponsor, Manulife. We are a not-for-profit club. Without the support of corporations like this, we simply could not host these discussions, so, thank you, once again.

This being my last lunch of the season and the last lunch of the Empire Club season for 2016/2017, I am going to go a little bit off script, so just bear with me. There are a few people that I want to acknowledge and thank. The first I want to acknowledge is our next President, Barbara Jesson, who is with us today, and I wish her best of luck in her season. Barbara has been the Chair of our Speakers' Committee for two years and has helped us have such an incredible roster. I think we have nine speakers already lined up for next year, so we are set up to have an amazing season.

I would also like to thank the staff at the Empire Club, namely, Jehan and Taylor and Erin, who is not with us, but these three work incredibly hard to put all these events together. I could not do this without them, so let us give them a round of applause.

Finally, she is going to be upset about this, but my girlfriend, Candace, is with us in the audience, today, and she is turning very red. She has been incredibly patient. This is our 28th event of the season, and she spent countless evenings up in the office helping me wordsmith my intro-

ductions. Thank you so much for your patience.

Last, but not least, I want to thank you. I want to thank you and the thousands of guests that have attended Empire Club events this season. When I kicked off this season, I did this thing where I take my phone out and I remind us that we all have access to more information than we have ever had in history, but events like this that we do at the Empire Club are even more valuable than ever because we get to have people like Minister Chan and those closest to the issues of the day speak about them with an air of experience. We all take a little bit of time to put our phones down and listen and engage. I think that is more valuable now than ever.

Thank you and long live the Empire Club of Canada!