



MEDIA RELEASE

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Why Diversification Matters

“There exists a clear link between economic diversification and sustainable growth. Diversification can reduce a nation’s economic volatility and increase its real activity performance,” according to Booz & Company. The St. John’s Board of Trade is putting forward this analysis, and more, to talk about why diversification matters.

“We need to have a much more urgent conversation about economic diversification in this province,” said Board Chair Jo Mark Zurel. “We didn’t reap the benefits of our oil industry overnight and we won’t reap the benefits of today’s diversification efforts tomorrow. But we need to put a lot of resources into the effort and we need to make it a public priority because it will employ us and pay for our future public services.”

Economic diversification is vital to securing the province’s future. China, for instance, is looking to move away from a manufacturing and resource-based economy. It is making plans to invest five per cent of its GDP into seven strategic industries over five years to make sure that the country is competitive and leading in sustainable industries such as biotech, alternative energy and clean vehicles. To keep pace, Newfoundland and Labrador would have to invest approximately \$8 billion over the next five years in innovation.

“Time is not on our side,” said Mr. Zurel. “This is as urgent as it is important. Diversification, innovation, research and development, commercialization – they are all races that need to be run and won to secure our place in the global economy for us and future generations of Newfoundlanders and Labradorians.”

The Board is interested in ensuring that there isn’t a repeat of the economic disaster that accompanied the shut-down of the fisheries in the early 1990s. With one industry dominant in terms of direct and indirect jobs, this province can learn from its past of relying on a sole sector.

“We can’t let our efforts be focused on one industry or one sector,” said Mr. Zurel. “We took steps 25 years ago to deliver on the promise of our oil. Today we need to take steps to deliver a bright future to our children. And that might be a difficult process where there are failures but we know from our experience with the fishery that it must be done – we know for a fact that oil is a non-renewable resource so we have to put money we get from that resource into developing the industries that will carry us beyond when the last drop is put into the final barrel.”

Other oil economies are starting to diversify. For instance, a front page in The Saudi Gazette was headlined “Kingdom stays committed to economic diversification”. Also, the first line from a paper in the Middle East Economic Survey reads “for well over 30 years, a consistent Norwegian

policy has been to diversify in order to reduce dependence on petroleum revenues and the ensuing risk exposure to oil and natural gas price instability.”

“The Organisation for Economic Co-operation and Development has stated that regions, not countries, are becoming the economic engines of the global economy,” said Mr. Zurel. “In Newfoundland and Labrador, we have a strong region with excellent natural resources and a resilient, hard-working people. We are letting ourselves down if we don’t diversify our economy. It can be done, and it must be. We don’t have to wait for the rest of Canada to come on board. We can do this ourselves. We need to be ruthless in our pursuit of economic diversification, because people in Alberta, Norway, Saudi Arabia and other parts of the world are being aggressive in locking in their future prosperity.”

The St. John’s Board of Trade is a non-partisan, business advocacy organization that is the principal voice of business for over 800 members and their tens of thousands of employees. Its mission is to improve the local business climate, enhancing its members’ ability to do business through advocacy and member services. Twitter: @stjohnsbot

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