



## **Japan-Canada-US Conference Series on Trilateral Cooperation**

**October 16, 2009**

**Peter Wall Institute, UBC**

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### **Welcome and Introduction**

The conference was opened by Mr. Yuen Pau Woo, President and CEO of the Asia Pacific Foundation of Canada, followed by short introductory remarks by Professor Brian Job of the Centre of International Relations at UBC, and Ambassador Numata Sadaaki, Special Advisor to the Japan Foundation.

### **Opening Keynote Address by Rear-Admiral Tyrone Pile, Commander Canadian Maritime Forces Pacific**

Rear-Admiral Tyrone Pile's keynote address focused on current maritime security developments in the Pacific and Canada's involvement in the Indian and Pacific Oceans. He noted that Canada's blue-water fleet presence in the Pacific is notably smaller than its Atlantic counterpart because of Canada's historic relationship with Europe and its NATO membership. However, this may change as the Pacific Ocean emerges as a superhighway for commerce. In 1983, transpacific trade surpassed transatlantic trade for the first time; now it is approximately three times larger than trade across the Atlantic Ocean.

Oil supplies and chokepoints, particularly in the Gulf of Eden and the Straits of Malacca where high incidences of piracy exist, are of concern to all regional counterparts. Ongoing anti-piracy efforts include cooperative efforts among Singapore, Indonesia and Thailand to conduct sea and air patrols in the Straits of Malacca. The anti-piracy coalition is an example of a unifying issue that can bring mutual cooperation.

Given the importance of oil and general supply routes, certain countries have taken steps to ensure the security of trade lanes. However, naval analysts have expressed concerns about the growth of regional submarine fleets, particularly as China, Iran, Singapore, Vietnam and Indonesia have made monetary commitments to develop submarine fleets. Despite these trends, rudimentary navy-to-navy alliances are seen as a positive development in solving cross-jurisdictional concerns, including aid, humanitarian assistance and anti-piracy efforts. In assessing the future, he noted several potential issues that could bring mutual cooperation including: the environment; transnational crime such as the trafficking of drugs, weapons and people; and illegal fishing.



In the Q&A, it was asked whether Canada had the national tools to implement its foreign policy goals in the Pacific Ocean. The Rear-Admiral responded that Canada did have a Pacific fleet and that while the fleet was comparatively small compared to others in the region, the navy was able to maximize its visibility in the Pacific Ocean. For example, the Pacific fleet deploys a minimum of one ship a year to Asia and last year expanded its cooperation with Japan to include a higher level of joint training and exercises at sea with the Japanese Self Defence Force. Nonetheless, the Rear-Admiral acknowledged that in the long term, Canada will have to look more at its Western fleet. He cited the shift of the population to Western Canada and the emergence of Asia as significant drivers.

### **Session I: Arctic Issues**

Tsutomu Kikuchi opened the session on Arctic issues and introduced presenters David VanderZwaag, Brian Flemming and Atsuko Kanehara.

#### **“Canada and the Governance of Arctic Shipping: A Short Cruise,” presentation by Prof. David VanderZwaag**

Professor VanderZwaag’s presentation examined the dispute between Canada and the US over jurisdiction over the Northwest Passage; Canada’s position and approach to the Arctic; and the use of domestic environmental legislation and navigational requirements to exert control over vessels in the Northwest Passage.

He began with an overview of the jurisdictional challenges over the Northwest Passage and explained the various ways Canada has opted to exert legal control over the waterway. Canada claims that the Northwest Passage is part of its internal waters and that it has full sovereignty and control over this stretch of water. This claim is contested by the US and others who assert that the Northwest Passage constitutes a strait used for international navigation.

He argued that Canada’s Arctic policy remains foggy despite the July 2009 Northern Strategy Document which proclaimed a “clear vision” for the North. Canada has yet to lay out a clear vision on key issues including: no clear Canadian perspective on how the Arctic Council might be restructured and strengthened; no clear picture of whether Canada proactively supports opening the Northwest Passage to international transit and, if so, what infrastructure support might be needed and expected; no clear national position on the desired scale of future ship-based tourism in the Arctic and related support priorities; and no comprehensive view on future directions for governance of the high seas. Canada appears to be taking a “Law of the Sea approach” to the high seas in the Arctic where flag state jurisdiction prevails as the prime principle for controlling activities.



## **“The Political and Diplomatic Dimensions of Canada’s Arctic Policies: Separating Mirage from Reality,” by Brian Flemming**

Brian Flemming presented four sobering messages on the reality of Canada’s position on Arctic issues. First, the Arctic has an infinite ability to disappoint people again and again. Second, Canada’s indigenous communities are the “unseen guests at the banquet” who should be consulted on Arctic issues. Third, the idea of the Northwest Passage is deeply engrained in the perception and identity of Canadians. Fourth, it is important to recognize the limits of science, government funding and minority government politics, in discussing Canada’s position on Arctic issues.

A fundamental concern is whether Canada will promulgate a general Arctic policy position to match the initiatives that have already been taken by other countries? In contrast to the current nationalistic approach, Canada needs to look seriously at a multilateral regime management framework because it includes the cost of a unilateral governance and enforcement mechanisms that Canada cannot support on its own. Moreover, he emphasized that there are a host of transnational concerns including the navigability of the Northwest Passage, safety and rescue costs, the environment impacts, and the release of methane hydrates as the ice thaws that require a multilateral approach.

### **“Arctic Navigation,” by Atsuko Kanehara**

Dr. Kanehara’s presentation focused on three main issues: (1) the relationship between navigational safety and marine environmental protection in the Arctic; (2) the application of existing international law and the creation of new laws; and (3) ways to achieve international cooperation between coastal and “user” states.

In general, navigational safety concerns support more environmental protection. Among all contaminants, oil is the worse as cold temperatures amplify its impact on the environment. Moreover, the severity of oil spills is worsened by a poor response system in difficult-to-navigate waters. The risk of oil tanker accidents is much higher in the Arctic than elsewhere.

On the application of international law, Dr. Kanehara highlighted the limitations in the definition of “internal straits.” Analyzing debates on how to interpret the “use for international navigation” in contemporary international law (UNCLOS), she views few options but to pursue multilateral cooperation to develop solutions. She highlighted that recent changes in the Arctic could not have been predicted when UNCLOS was initially drafted; therefore, new solutions or laws must be created. In developing new laws, considerations need to ensure that regulations are not stricter than current international standards stated under UNCLOS’s navigational guidelines.



In demonstrating how international cooperation could be achieved, she highlighted Japan's efforts in the Strait of Malacca. Japan is a non-coastal state with a strong interest in the Arctic Ocean because it could be a substitute for shipping through the Strait of Malacca. Japan's involvement in that case illustrates two challenges that must be addressed when discussing Arctic development: (1) territorial sovereignty and the jurisdiction of coastal states vs. the interests of user states such as Japan; and (2) expectations of trilateral/international cooperation in order to ensure international regulation toward both navigational safety and marine protection.

### **"American Perspective," by Kent Calder and Eiichiro Ito**

Dr. Calder provided an American perspective on the Arctic by highlighting the force of change in the Arctic; its geopolitical importance; energy concerns; and implications for the future. Global warming and the melting of the ice caps have renewed exposure of the Arctic ice passage leaving control over the Arctic an increasingly important issue. American focus on the Arctic has been largely politico-military with focus on competing claims on territorial boundaries; military and submarine capabilities of contesting states, particularly Russia; and resource and energy extraction.

In this context a regime for management is urgent and necessary to prevent a downward spiral. From an American perspective, it is useful to move beyond UNCLOS and focus on technical issues such as navigational safety, sewage and dumping. US firms currently hold the most sophisticated technology for unseen extraction. An Arctic regime or framework is urgent given the need to build infrastructure, procurement and other processes which all take time to develop.

Some areas that a trilateral Arctic task force could examine include: Ice mapping (its defense implications); joint policing/patrols; institution building and the Arctic Council; the inclusion of Pan-Arctic users (five major Arctic powers, all the users in the G7); and the development of a multilateral organization that can oversee Arctic issues.

### **Discussant, Michael Byers**

Dr. Byers noted that indigenous people must be taken into account as they are directly affected by climate change and regular pollutants like PCB. As they are already actively addressing this issue through the Inuit Polar Council and Arctic Council, they should be engaged and remembered in any multilateral cooperation efforts. Second, climate change is a critical component of any discussion on the Arctic. Third, there is a genuine desire to minimize the impact on species and the environment; therefore navigational issues are very important. Fourth, Arctic sea routes will not be in competition with one another.



He further argued that Canada's best response to the Northwest Passage should be to focus on making it commercially safe and efficient. Instead of being a gatekeeper, Canada should open the doors and assist the flow of people to establish credibility and control over the passage, similar to Russia's approach. In his view, this would be the best way to resolve the jurisdiction issue without legal dispute. While many were taken aback by Russia's aggressive position on its continental shelf, it has abided by international law, opened its doors, and offered to negotiate and submit coordinated claims. Canada should therefore aim to establish itself as an Arctic ally and partner who contributes to the development of international waters.

**Ross Macdonald, a Senior Official at Transport Canada, was invited to be the second discussant and to give his thoughts on the morning's discussion.**

Mr. MacDonald highlighted that extensive shipping, mostly through supply lines to the North, are already taking place in the summer. On the other hand, transit traffic, the focus of the morning's discussion, is presently far from reality. He affirmed that environmental stewardship was important as people in the North live and rely on clean seas for both food and lifestyle. Lastly, he felt that the words "ownership," "sovereignty" and "crisis" could either polarize or bring people together. He therefore felt that it was important to get these issues out into the public domain for discussion before opening the Northwest Passage as a transit shipping channel.

**AREAS FOR FURTHER TRILATERAL WORKING GROUP ACTION:**

- Building a multilateral regulatory and governance mechanism for the Arctic, particularly in light of the opening of the Northwest Passage; examining opportunities and challenges of non-Arctic powers in governance mechanisms; examining criteria for membership of observer status in the Arctic Council; restructuring the Arctic Council; developing an Arctic Oceans Agreement.
- Developing new laws on 'international navigation;' developing a common position on navigational safety standards (e.g. passage safety and rescue costs, the environment, and the release of methane hydrates); re-examining UNCLOS navigational guidelines to match changing Arctic conditions.
- Including Indigenous peoples and perspectives in the trilateral/multilateral cooperation work agenda.
- Promoting ice mapping research efforts.



- Developing joint policing and patrol efforts.
- Promoting environmental stewardship in the Arctic; helping develop global approaches to environmental sensitivity of the Northwest Passage.

### **Lunch presentation: "G8 and G20 After L'Aquila and Pittsburgh," by John Sloan**

John Sloan provided a brief assessment of recent developments in G8, G20 and APEC.

### **Session II: Energy and Environment**

Kent Calder opened the afternoon session and introduced Jon Rozhon, Tadashi Maeda and Robert Shum.

### **"Energy Security: Cooperation between Japan, Canada & the US," by Jon Rozhon**

Jon Rozhon's presentation provided a brief overview of US, Canadian and Japanese energy situation and outlined opportunities & challenges for bilateral or trilateral cooperation. 'Energy security' is a contested term that needs to be understood as a responsibility for both consumers and producers. Currently, Japan remains only 16% energy self-sufficient, relying heavily on oil and gas from the Middle East and shipping lanes that pass through the Strait of Malacca and Strait of Hormuz. Nuclear energy is increasingly viewed as a necessity to Japan's energy security, yet domestic concerns linger over its safety and security. As Russia has developed oil and gas on Sakhalin, Japan has supported its efforts to secure energy supplies, yet Russian responses have been inconsistent over the project leaving Japan having to 'bend with the wind' to ensure security or energy supply.

US energy security has focused on recalibrating a dependence on foreign sources of oil and developing a greener approach to energy and environmental issues. Recent developments have seen the reserve-to-production ratio climb upward, notably with a 45% increase in US 'traditional resources' (including shale gas). The Pickens Plan, which places natural gas as the focus of American energy security, has gained increased support. It remains unclear how the US government will secure a more environmentally friendly energy future as domestic debates linger on climate change legislation.

Canada's energy security remains heavily intertwined with US energy market. Balancing the environmental impacts and economic benefits of the oil sands of Northern Alberta remains a key challenge for both the Canadian and US governments. Another issue of importance is building the necessary transportation links through pipelines to ensure competitive routes to the Asia Pacific region and to the US.



All three countries are expected to remain largely oil-based economies in the foreseeable future. Japan and the US have the opportunity to diversify sources of supply with Canada. There also exists collaborative opportunities to develop environmentally friendly technology for bitumen production. The proposed Kitimat pipeline expected to ship LNG supplies to Asian customers presents an area for Canada-Japan cooperation. In terms of cooperative relations with the US, “dirty oil” remains an obstacle but could be addressed with new technology and processes to clean up oil sands production.

### **“Trilateral Cooperation,” by Tadeshi Maeda**

Tadeshi Maeda gave a Japanese perspective on Canada as an energy supplier, noting its importance as the second-largest oil sands reserve and a steady supplier of uranium. His presentation focused on three potential areas for trilateral cooperation: building supply chains for oil sands, shale gas and uranium.

On oil sands, he noted that Japanese companies are already participating in upstream projects in Canada and that the ability to export this supply to Japan via a northern pipeline and port would help decrease Japan’s dependence on Middle Eastern oil. However, he was skeptical about the development of the Kitimat pipeline proposal because he felt that Canada needed to secure a stable off-take to succeed and that Japan alone would not be able to guarantee this off-take. Japan currently relies heavily on Middle Eastern oil and the huge infrastructure investments for the LNG project would not see a high return on investment (e.g. pipeline construction, environmental impacts). He felt that Canada would need to get China and South Korea on board so that all four countries could collectively maintain a minimum off-take level and pay for the pipeline infrastructure.

Mr. Maeda also noted Japan’s growing interest in shale gas as an unconventional source for LNG. The US and Canada have large reserves of shale gas and there is the potential to tap into this to diversify Japan’s energy source. Challenges include getting the right technology and infrastructure to convert shale gas into LNG. The conversion of shale gas into LNG is very expensive and not possible without an LNG processing plant in BC. He iterated that there must be a comprehensive package (i.e. a whole supply chain approach) to sell commitments to shale gas. A formula for trilateral cooperation could be BC’s gateway infrastructure, Japanese LNG demand and investment combined with US shale gas technology.

On the issue of uranium, it was acknowledge that Canada’s largest share of uranium exports went to Japan and that Japanese companies were involved in some uranium projects in North America. The bulk of Japanese uranium investments are, however, focused in Kazakhstan though some diversification has taken place and some projects are now in Africa. A possible



model for cooperation to build a uranium supply chain may include Canada's rich uranium reserves, US uranium enrichment technology and Japan's nuclear power technology.

### **"Climate change policy in Japan and North America: Shared interests, external antagonisms and an agenda for cooperation," by Robert Shum**

Robert Shum examined the challenges and opportunities for cooperation between the US, Japan and the Canada on international climate change policy. He argued that urgent cooperation is in the shared interests of Canada, Japan and the US; otherwise, all three may ultimately lose to alternative paradigms for international climate change cooperation favouring European or developing country frameworks. The focus for North America should not be on emissions reductions but on innovation. In this light, the Kyoto apparatus does not seem well suited for North America and Japanese interest.

Shum highlighted tensions will intensify on debates about the appropriate method for calculating target limits for carbon emission. Instead of measuring the per capita emissions or percent change in emissions compared to 1990, he argues the focus should be on the carbon-intensity of income or economic activity. He emphasized that Canada and US have an opportunity to learn from Japan's successful efforts to reduce the carbon-intensity of its economy after the 1970s. Moreover, with US and Japan accounting for approximately 80% of the world's green-technology innovations (Calder 2009), there is significant market potential for all three countries to take leadership to liberalize trade in green technologies and help address regulatory leakage issues.

### **Discussant, Hon. Byron Wilfert**

On the issue of trilateral cooperation, he noted that discussions at the IEA focused on how to deal with energy issues in an environmentally friendly way. The problem he perceived was that neither Japan nor the US really thought of Canada as a major oil and energy supplier. The challenge was to secure the political will and there may be an opportunity with the new US and Japanese administrations that have energy positions different from those of their predecessors. On climate change policies, he emphasized the importance of demonstrating how financial tools supported the climate change policies.

In trying to identify next steps areas for trilateral cooperation, the group should consider what is important for policymakers and governments. Namely, (1) that there is a rule of law; (2) that the government can pay its bills; and (3) that they can share technology in a way to advance common interests without risk of piracy and so forth.



## General Discussion

Kent Calder noted that he understood the US and Japanese energy positions but it remained unclear how Canada would respond. Based on the afternoon's discussion, he felt that there may be opportunities to cooperate on innovative energy issues such as smart grid development; uranium and nuclear technology; safety and disposal issues; and LNG facilities for production/gasification in North America.

Tadeshi Maeda agreed on the potential for cooperation on LNG as Japan's LNG supply from Indonesia would drop significantly after 2010. Japan needs alternative sources for LNG and assesses options based on the stability and security of the supply and the price of LNG.

Yuen Pau Woo asked whether Canada was ready to deal with and cooperate with others on Alberta's oil and gas sector given historical instances of nationalist rhetoric and protectionism. In response, it was mentioned that Canada's concern was with the transparency and accountability of state-owned enterprises rather than a reaction to Asian investment.

Mr. Rozhon expressed confidence that companies in Calgary would be willing to partner with Asian customers and investors to further develop the oil sands in the event that America did not come around on the 'dirty oil' position.

Reiterating Jon Rozhon's point that there is no clear definition of 'energy security,' Dr. Calder emphasized the need for a serious discussion on what the various countries mean by energy security before a framework for cooperation could be established.

## AREAS FOR FURTHER TRILATERAL WORKING GROUP ACTION:

- Developing a multilateral framework for cooperation on infrastructure and environmental mechanisms to provide LNG supplies to Asia.
- Exploring trilateral cooperation on technology and infrastructure to exploit shale gas.
- Examining the possibility of developing a uranium supply chain; examining safety and disposal issues.
- Developing environmentally friendly technology for extracting bitumen.
- Developing coordinated efforts to promote and liberalize trade in 'green technologies.'
- Studying new carbon emission measurement mechanisms; trilateral study opportunity on ways to reduce carbon-intensity within economies.



- Examining the possibility of smart grid development.

### **Closing Remarks and Other Possible Topics for Trilateral Cooperation**

Ambassador Numaata highlighted the timeliness of multilateral cooperation efforts with the relatively new US and Japanese administrations and the changing attitude of Canada's current government. He suggested that this trilateral grouping should further examine the Arctic agenda, and the human security/peace-building agenda in Afghanistan.

Kent Calder picked up on the post-conflict dimension on Afghanistan noting that the US government will need all the help it can get from friends and allies. He emphasized the human security aspect in terms of education, relief and rebuilding efforts and noting that both Japan and Canada have credibility on these issues.

Brian Job outlined a possible framework for next steps by referring to the three-year time frame for the trilateral conference series and the dates of upcoming key international events. He emphasized that the group needed to think of what it wants to accomplish in a three-year timeframe which includes: several G8, G20 and APEC meetings; the review of the NPT (2010); and new policy movements in each country. He felt that Arctic issues will continue be on the agenda for reasons discussed. On energy and climate change, he felt that the group should watch the outcomes of the upcoming Copenhagen meetings before deciding what it can and should do. With regards to the G2, G8, G20 and other emerging forums, it remains to be seen how trilateral cooperation can support and complement work done through these forums. With respect to post-conflict Afghanistan, he noted that it is almost certain Canada and Japan will be deployed in some type of peace-building context. He cautioned that "human security" won't fly in Ottawa but that the current government would likely be interested in sub-issues such as peace-building.

Dr. Kikuchi closed the session by noting that the Arctic discussions had strong potential for further action and that immediate issues that could be furthered by this working group included navigational safety and environmental stewardship. More difficult interlinked issues that would have to be addressed in the future were questions on sovereignty and how to effectively lead a multilateral/global approach to manage the Northwest Passage. Second, energy and efficiency remains an important issue but he noted that it was ultimately up to the US and Canada to decide how they will respond and discuss it within a trilateral context. Third, peace-building and Afghanistan have possibilities to be a trilateral cooperation issue in the future, but more clarity is required on the opportunities and pitfalls. Lastly, the group should watch global forums such as the G8 and G20 and assess what comparative advantages the trilateral forum has over other gatherings.

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Yuen Pau Woo thanked all presenters and delegates attending the meeting. The meeting was adjourned at about 5pm.