

SECURING CANADA'S PLACE IN ASIA

MEANS, INSTITUTIONS AND MECHANISMS



Asia Pacific
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PROJECT OF THE NATIONAL CONVERSATION ON ASIA

ABOUT THE NATIONAL CONVERSATION ON ASIA

The **National Conversation on Asia** is a broad and inclusive initiative by the **Asia Pacific Foundation of Canada** to get Canadians thinking and talking about what Asia means to Canada. It is supported by Asia-engaged individuals, companies and organizations across Canada.

NCA Task Forces examine and formulate policy recommendations on strategic issues in the Canada-Asia relationship. Broad consultations with government, community and industry leaders, experts and stakeholders are an integral part of each Task Force's activity.

This report is the second in a series of NCA Task Force reports. The first taskforce report, *Securing Canada's Energy Future*, was released in June 2012. All reports are available at www.asiapacific.ca.

For more information, see www.nationalconversationonasia.ca.



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FOREWORD

IN THE CONTEXT OF continued economic weakness in the United States and the European Union, the importance of trade diversification for Canada has become conventional wisdom. While there is disagreement over details, a consensus of sorts has emerged among political and business leaders in the country on the importance of Asia for Canada's future prosperity. Led by the Prime Minister, the government of Canada has, in recent years, pursued market opening opportunities in Asia with unprecedented gusto, and private sector interest in Asia is at an all-time high. These efforts are an important corrective to the relative neglect of trans-Pacific ties in previous decades and they provide fresh visibility for Canadian interests in markets across the region that are already very crowded.

The market opening focus of Canada's economic policy towards Asia has tended to be bilateral in approach and narrowly commercial in emphasis. There is often also an implicit assumption in much of Canadian industry that doing business in Asia is an extension of doing business in North America or Europe. As the locus of a broader global power shift, however, Asia must be understood as more than an addition to world purchasing power, and greater than the sum of the various bilateral relationships.

This report of the Task Force on Asia Pacific Regional Architecture articulates brilliantly the broader context of Asia's rise and the need for Canada to engage with Asia across a set of bilateral and regional institutions, means, and mechanisms, using a "whole of country" approach. The report includes an analysis of key regional groupings in Asia and priorities for trade and investment liberalization, with concrete recommendations that will, I believe, take Canada's newfound enthusiasm for Asia to a more sophisticated, and ultimately more effective, level of engagement.

As the second in the series of high level policy task forces commissioned by the Foundation as part of our *National Conversation on Asia*, this report is a valuable addition to the body of thinking that is emerging through the NCA and other initiatives on the makings of a Canadian “strategy” for Asia. I am deeply grateful to task force members Don Campbell, Paul Evans, and Pierre Lortie for their leadership on this report, and to the many stakeholders across the country who were consulted. Alexandra Ho provided essential project support, research, and writing services, and the ASEAN Centre at American University led by APF Senior Fellow Amitav Acharya kindly hosted a workshop in Washington DC that served as a kick-off for the task force.

The release of this report is just one step in advancing policy discussions on Canada’s involvement in the evolving regional architecture of the Asia Pacific region. It is part of a broader effort on the part of the Foundation to strengthen Canada-Asia relations in the long-term interest of Canadians, and—as the task force members so succinctly state—to “secure Canada’s place in Asia”.



Yuen Pau Woo

President & CEO

Asia Pacific Foundation of Canada

AVANT-PROPOS

DANS LE CONTEXTE du ralentissement économique prolongé des États-Unis et de l'Union européenne, nous savons tous combien il est important que le Canada diversifie ses échanges. Bien qu'il y ait désaccord sur les détails, un certain consensus s'est dégagé parmi les responsables politiques et les acteurs économiques sur l'importance de l'Asie pour la prospérité du Canada dans l'avenir. Depuis quelques années, sous l'impulsion du Premier ministre, le gouvernement du Canada recherche les marchés à saisir en Asie avec un enthousiasme sans précédent, et le secteur privé ne s'est jamais tant intéressé à l'Asie. Ces efforts constituent un important correctif à la relative indifférence pour les relations transpacifiques au cours des dernières décennies et ils donnent aux intérêts canadiens une nouvelle visibilité sur les marchés déjà très encombrés de cette région.

En matière d'ouverture de marchés, la politique économique du Canada en Asie tendait à privilégier des relations bilatérales de nature strictement commerciale. Par ailleurs, une grande partie des milieux économiques canadiens traitent implicitement les échanges avec l'Asie comme un prolongement du commerce avec l'Amérique du Nord ou l'Europe. Pourtant, l'Asie se situant au cœur d'une redistribution des cartes à l'échelle mondiale, il est essentiel de comprendre qu'elle représente bien plus qu'un ajout au pouvoir d'achat mondial et bien plus que la somme des différentes relations bilatérales.

Ce rapport du groupe de travail sur les institutions régionales dans la région Asie-Pacifique articule magistralement le contexte général de l'essor de l'Asie et la nécessité pour le Canada de s'y investir à travers un ensemble d'institutions, de moyens et de mécanismes bilatéraux et régionaux, en suivant une approche impliquant le pays tout entier. Le rapport inclut une analyse des principaux groupements régionaux en Asie et des priorités en matière de libéralisation du commerce et des investissements, en faisant des recommandations concrètes qui, à mon avis, transformeront le nouvel enthousiasme du Canada pour l'Asie en une démarche plus avertie et, au bout du compte, plus efficace.

Second dans la série de rapports des groupes de travail établis à la demande de la Fondation dans le cadre de son *Dialogue canadien sur l'Asie*, ce compte rendu stratégique de haut niveau est un ajout précieux à la somme de réflexion en train de s'articuler par ce dialogue et par d'autres initiatives sur les éléments constitutifs d'une « stratégie » canadienne à l'égard de l'Asie. Je suis profondément reconnaissant à MM. Don Campbell, Paul Evans et Pierre Lortie pour le rôle moteur qu'ils ont joué dans la réalisation de ce rapport, ainsi qu'aux nombreuses parties prenantes qui ont été consultées dans le pays tout entier. M^{me} Alexandra Ho a apporté les services de soutien, de recherche et de rédaction essentiels au projet, et l'ASEAN Studies Centre de l'American University, sous la direction du professeur Amitav Acharya, a organisé à Washington l'atelier de lancement du groupe de travail (le professeur Acharya est également attaché supérieur de recherche de la Fondation Asie Pacifique du Canada).

La publication de ce rapport n'est qu'une étape dans le progrès des débats sur la part active du Canada dans les institutions régionales en pleine évolution de la région Asie-Pacifique. Il s'inscrit dans un effort plus large de la Fondation visant à renforcer les relations entre le Canada et l'Asie dans l'intérêt à long terme des Canadiens et, comme le disent de manière si concise les membres du groupe de travail, pour « assurer la place du Canada en Asie ».



Yuen Pau Woo

Président et chef de la direction
Fondation Asie Pacifique du Canada

EXECUTIVE SUMMARY

IN MARCH 2012, the Asia Pacific Foundation of Canada established a taskforce to assess and make recommendations on the role that regional institutions and bilateral mechanisms should play in a government strategy to pursue Canada's interests and secure its place in Asia.

In the context of a world in transition, Canada's prosperity and influence in global organizations will be an increasingly important factor in its ability to project and leverage its capabilities in Asia. Asia's fast increasing share of world economic output, the shifting power dynamic between the United States and China, and the rising influence of the region in global institutions, all must be addressed in the development of Canada's foreign policy.

Asia itself is pursuing greater economic integration at the same time as it confronts complex problems of national identity, inter-state rivalries and intra-state conflicts. Regional institutions have developed processes to deal with these issues that are typically consensus-based and voluntary, and as a result, slow-moving. That institutions in Asia have espoused forms and rules of engagement that are different from those in North America and Europe reflects Asia's diversity, the lack of trust between many countries, and the imperative to maintain a balance between competing national interests. Most of these processes are open to and value non-Asian participation.

The Canadian government has made commendable strides over the last three years in expanding and deepening Canada's relations with its Asian counterparts. The challenge now is how it can further deepen and sustain these initiatives and create a coherent approach that is, and is perceived by Asians to be, more than just a series of independent, disconnected initiatives.

We consider active participation in key regional institutions an essential component in pursuing priority Canadian initiatives and negotiating bilateral mechanisms with important Asian partners. In an Asia Pacific context, process matters in reaching consensus and building relationships. Contributing is as important as receiving in the Asian mindset. As a result, commercial policy alone will not succeed for Canada in Asia; success on the trade and investment front requires a greater Canadian presence and participation in a broad spectrum of multilateral and bilateral processes.

Success in Asia, as countries like Australia continue to demonstrate, takes not just a whole-of-government but a whole-of-country approach. We contend that Canada's efforts must be large-scale, ambitious, coordinated, cross-partisan, multi-dimensional, and long-term.

The Taskforce is advocating a full-scale engagement with Asia that includes:

- Parallel bilateral and regional approaches
- The active and coordinated participation of government and non-government stakeholders
- Engagement in multiple domains including economics, politics, security, military, cultural and people-to-people relations

We identify the following as the key regional institutions and bilateral mechanisms of immediate relevance to Canada and our recommendations are:

To develop and implement a flexible and dynamic strategy able to inform and guide Canada's participation in key Asian institutions and mechanisms

1. Establish a coordinating unit with access to senior government officials on Canada's participation in Asia and convene on a regular basis with non-government stakeholders on specific issues.
2. Place priority on ensuring adequate human and financial resources to develop, implement and sustain a long-term Canadian strategy focused on Asia.

To advance Canada's overall objectives through visible and sustained participation in regional institutions

Bilateral mechanisms:

3. Formalize and sustain a bilateral dialogue with the United States focused on Asia.
4. Strengthen existing bilateral dialogues and initiate new dialogues with strategic Asian partners focusing on China, Japan, India, South Korea and Indonesia. These dialogues should include a discussion of regional institutions and processes.

Regional institutions:

5. Seek early admission into the East Asia Summit (EAS).
6. Assert credentials in APEC by volunteering to Chair and host APEC in 2017, and focus on the revitalization of the organization and topics relevant to Canada's prosperity agenda.
7. Seek admission into the ASEAN Defence Ministers Meeting Plus Plus (ADMM++).
8. Sustain ministerial participation at ASEAN Regional Forum (ARF) and ministerial and high-level participation at Shangri-La Dialogue.
9. Deepen the dialogue with ASEAN and consider appointing a Canadian Ambassador dedicated to the association.

To realize an ambitious and winning trade and investment strategy for Canada, pursue on parallel tracks bilateral and regional trade agreements

Bilateral mechanisms:

10. Conclude as a matter of urgency a Free Trade Agreement (FTA) with South Korea.
11. Pursue as a top priority comprehensive economic partnership negotiations with Japan.
12. Based on a recent study of complementarities, move towards a trade agreement with China.
13. Conclude trade negotiations with India.
14. Consider a trade pact with Taiwan.
15. Pursue double taxation and foreign investment agreements with as many countries as possible.

Regional mechanisms:

16. Participate fully in the Transpacific Partnership (TPP) negotiations at the earliest opportunity.
17. Explore a trade agreement with the Association of South East Asian Nations (ASEAN).

The importance of and rationale for active Canadian participation, as recommended above, are discussed in the pages that follow. Full participation does not guarantee success for Canada, but limited or partial involvement will marginalize Canada, have a negative impact on our prosperity, and our influence in regional and global institutions.

SOMMAIRE EXÉCUTIF

EN MARS 2012, la Fondation Asie Pacifique du Canada a établi un groupe de travail chargé d'examiner, en formulant des recommandations, le rôle que doivent jouer les institutions régionales et les mécanismes bilatéraux dans une stratégie gouvernementale destinée à promouvoir les intérêts du Canada en Asie et à assurer sa place dans la région.

Dans un monde en pleine transition, la prospérité du Canada et son influence dans les organisations internationales deviennent des facteurs de plus en plus importants dans son aptitude à projeter ses moyens et tirer parti de ses capacités en Asie. Pour mettre au point la politique étrangère du Canada, il faut prendre en compte à la fois : la croissance rapide du poids de l'Asie dans la production économique mondiale; l'évolution de l'équilibre des pouvoirs entre la Chine et les États-Unis; et l'influence croissante de la région dans les institutions internationales.

L'Asie recherche elle-même une plus grande intégration économique tout en étant confrontée à des problèmes complexes d'identité nationale, de rivalités entre États et de conflits intra-étatiques. Pour répondre à ces problèmes, les institutions régionales ont établi des processus qui sont généralement volontaires et consensuels, mais lents à cause de cela. L'adoption par les institutions asiatiques de formes et règles de participation qui diffèrent de l'usage européen et nord-américain reflète la diversité de la région, le manque de confiance entre plusieurs pays et l'impératif de maintenir un équilibre entre des intérêts nationaux concurrents. Cependant, la plupart de ces processus font bon accueil à la participation d'intervenants non asiatiques.

Au cours des trois dernières années, le gouvernement canadien a fait des progrès louables dans l'élargissement et l'approfondissement des relations du Canada avec ses homologues asiatiques. Il s'agit maintenant de savoir poursuivre et approfondir ces initiatives en les articulant dans une approche cohérente qui soit plus qu'une simple série d'actions éparses, dans les faits comme aux yeux des Asiatiques.

La participation active aux grandes institutions régionales est selon nous une composante essentielle de la promotion des initiatives canadiennes prioritaires et de la négociation de mécanismes bilatéraux avec les grands partenaires asiatiques. Dans la région Asie-Pacifique, le processus est important pour parvenir à un consensus et établir des relations. En effet, pour les Asiatiques, il est aussi important d'apporter sa contribution que de recevoir. En conséquence, il ne suffira pas d'une politique commerciale pour assurer le succès du Canada en Asie : en matière d'échanges et d'investissements, la réussite passe par davantage de présence et de participation dans un large éventail de processus multilatéraux et bilatéraux.

Comme continue de le démontrer l'expérience de pays comme l'Australie, la réussite en Asie nécessite d'impliquer non seulement le gouvernement tout entier, mais aussi le pays tout entier. Selon nous, les efforts du Canada doivent être de grande ampleur, ambitieux, coordonnés, transparents, multidimensionnels et prolongés.

Le groupe de travail préconise un investissement en Asie de grande envergure caractérisé par :

- une approche bilatérale et une approche régionale menées en parallèle;
- la participation active et coordonnée des parties prenantes gouvernementales et non gouvernementales;
- une implication multidimensionnelle touchant à la fois l'économie, la politique, la sécurité, les questions militaires, les échanges culturels et les relations interpersonnelles.

Nous avons recensé les institutions régionales essentielles et les mécanismes bilatéraux d'importance immédiate pour le Canada et nos recommandations sont les suivantes :

Élaborer et mettre en œuvre une stratégie souple et dynamique capable d'éclairer et de guider la participation du Canada dans les institutions et mécanismes asiatiques essentiels

1. Établir une unité de coordination de l'implication du Canada en Asie ayant accès aux grandes instances gouvernementales et se réunissant régulièrement avec les parties prenantes non gouvernementales pour examiner les différentes questions.
2. Veiller en priorité à disposer de ressources humaines et financières adéquates pour élaborer, mettre en œuvre et soutenir une stratégie canadienne durable en Asie.

Promouvoir les grands objectifs du Canada par une participation visible et soutenue aux institutions régionales

Mécanismes bilatéraux :

3. Officialiser et maintenir un dialogue bilatéral sur l'Asie avec les États-Unis.
4. Renforcer les dialogues bilatéraux existants et engager de nouveaux dialogues avec les partenaires stratégiques asiatiques, notamment la Chine, le Japon, l'Inde, la Corée du Sud et l'Indonésie. Ces dialogues doivent inclure un examen des institutions et processus régionaux.

Institutions régionales :

5. Obtenir à brève échéance d'être admis à participer au Sommet de l'Asie orientale, ou EAS (East Asia Summit).
6. Affirmer sa position au sein de l'APEC (Coopération économique pour l'Asie-Pacifique), en se portant volontaire pour la présidence et l'organisation du sommet de 2017, et promouvoir la revitalisation de cette organisation ainsi que les thèmes importants pour la prospérité du Canada.
7. Obtenir d'être admis à participer à la rencontre des ministres de la Défense de l'ANASE et de ses membres additionnels (ADMM++).
8. Poursuivre la participation ministérielle au Forum régional de l'ANASE (FRA) et au Sommet sur la sécurité en Asie (« Dialogue Shangri-La »).
9. Approfondir le dialogue avec l'ANASE et envisager la création d'un poste d'Ambassadeur du Canada auprès de celle-ci.

Mettre en œuvre une stratégie de commerce et d'investissement ambitieuse et gagnante pour le Canada et chercher à établir, sur des voies parallèles, des accords commerciaux bilatéraux et régionaux

Mécanismes bilatéraux :

10. Conclure, de manière urgente, un accord de libre-échange (ALE) avec la Corée du Sud.
11. Poursuivre, à titre hautement prioritaire, des négociations de partenariat économique étendu avec le Japon.
12. À partir d'une étude récente sur les complémentarités, s'acheminer vers un accord commercial avec la Chine.
13. Conclure les négociations commerciales avec l'Inde.
14. Envisager un pacte commercial avec Taiwan.
15. Chercher à établir des conventions contre la double imposition et des accords sur les investissements étrangers avec autant de pays que possible.

Mécanismes régionaux :

16. Participer pleinement et dès que possible aux négociations du Partenariat transpacifique, ou TPP (Transpacific Partnership).
17. Examiner les modalités d'un éventuel accord commercial avec l'Association des nations de l'Asie du Sud-Est (ANASE).

Les pages qui suivent examinent l'importance et les raisons de la participation canadienne active recommandée ci-dessus. La pleine participation du Canada ne garantit pas son succès, mais une implication partielle ou restreinte le marginalisera et aura des répercussions négatives sur sa prospérité et sur son influence dans les institutions régionales et mondiales.

INTRODUCTION

IN MARCH 2012, we were asked by the Asia Pacific Foundation of Canada to assess and make recommendations about the role that regional institutions and bilateral mechanisms might play in Canada's strategy to pursue its interests and secure its place in Asia.

We were immediately confronted with the question of why regional architecture matters. In interviews, we were asked why Canada should participate in slow-paced, Asian-centered institutions when Ottawa could focus exclusively instead on bilateral political relations and trade deals, and concentrate its efforts on more prestigious global institutions, especially the G20. Some we spoke to were not convinced of the value of the various regional economic, political and security processes in the Asia Pacific, even suggesting these were a distraction from Canada's key mission of expanding commercial relations with Asian countries.

Our argument is that regional architecture provides an important framework through which Canada can enhance and sustain its long-term economic interests in Asia. Our credibility and effectiveness in Asia depend upon building relationships with people and countries who do believe that economics are inseparable from the management of political and security issues. The recent use of economics to make political points seen in China's restriction of rare earth exports to Japan in the wake of the September 2010 fishing trawler incident is a testament to the interplay between economic, political and security interests.

Further, as a mid-sized country deeply dependent on foreign trade, Canada has an enormous interest in promoting an open and rule-based international system. Asia has gained both geo-economic and geo-political importance and Asian players are increasingly influential in global processes like the G20. To be effective in these global institutions, Canada will need deeper relations with Asian partners built on a firm

grasp of the issues affecting the region as well as through active participation in the numerous institutions and mechanisms created to manage and address these issues.

As such, the issue is not whether Canada *should* participate in the operation of the regional architecture in the Asia Pacific, but rather *how* to do so.

Recent Developments

A number of recent reports have examined Asia's rising importance for Canada and specific measures that Canada can take to advance its interests and role, among them: "Winning in a Changing World: Canada and Emerging Markets" (2012); "Canada, China, and Rising Asia: A Strategic Proposal" (2011); and "Rising to Meet the Asia Challenge" (2012).

All of these studies underscore the pace and scale of the geo-economic shift that is transforming the world economy and making Asia an engine of global growth. We too believe that the geo-economic shift is fundamental but believe that it needs to be cast in a broader geo-strategic context. We hold firmly to the view that taking a pure commercial approach centered on trade and investment will fail for two reasons: 1) it is unlikely to succeed in delivering economic benefits and therefore undermine our competitiveness in global markets, and 2) it will impair Canada's ability to secure its place in this key region.

Ottawa has made significant headway in expanding and deepening its relations with Asian partners. Since 2010, Canada has kicked off trade discussions with India, Japan, China and Thailand and at the diplomatic level the pace of ministerial and Prime Ministerial visits has increased. The Minister of Foreign Affairs, John Baird, has been particularly active in Southeast Asia, visiting Myanmar earlier this year, announcing the opening of an embassy in Naypyidaw, and

committing a C\$10 million dollar fund to advance Canada-ASEAN relations. In June, the Minister of Defence, Peter McKay, gave an important speech at this year's Shangri-La Dialogue and the Canadian navy sent its largest contingent ever to participate in the Rim of the Pacific (RIMPAC) naval exercises. In August, the government released a complementarities study that could be the forerunner of a FTA with China.

These and other actions by the Canadian government are to be applauded. The challenge is how to deepen and sustain them in order to create a coherent approach that is, and is perceived to be by Asians, more than a series of individual and disconnected initiatives.

Canada was a respected regional player in Asia in the 1990s. Since then, however, it has been seen as having disengaged from the region at precisely the same time as Asia's global rise has been accelerating. Canada is making a comeback but, as some argue, it can only do so successfully by articulating a comprehensive and integrated set of objectives and priorities that reflect fresh thinking and investing the resources needed for implementation.¹

A World in Transition

The impact of Asia on the global order is a central theme in this report. At a moment of flux in the international system that is greater than at any time since the Second World War, Asia is playing an enormous and growing role. This has significant implications for the region and the world—implications to which Canada is not immune.

Asia is leading and growing its share of world economic output; it is a key theatre in the global power shift currently underway and centre-stage in a new phase of Sino-American competition; and it is gaining influence in global institutions. These must all be addressed in Canada's policy development.

The stakes for Canada are high and it is vital to understand how developments in Asia impact our global agenda. From an economic viewpoint, it is expected that Asia will continue to be a leading driver for global growth. From a legal perspective, the South China Sea disputes may have implications for the interpretation of the United Nations Convention on the Law of the Sea (UNCLOS) and how it can be applied to other contested regions such as the Arctic.

Issues such as terrorism, drug trafficking, human smuggling and trafficking, cyber-security, piracy, communicable diseases and other non-traditional security threats require close and coordinated action to arrest their spread. Canada has an interest in all of these issues and we believe that participation in regional institutions and mechanisms is an essential step in shaping the international rules, norms and practices that have a direct bearing on our interests and well being.

In terms of trade, the fact is that Canada has not concluded a single FTA with an Asian country and all of our major competitors have. The negative consequences for the prosperity of Canada are twofold: we miss opportunities to expand trade in fast-growing markets and we lose market share as a result of the preferential access enjoyed by our competitors that have concluded FTAs.

Asian Institutions and Mechanisms

Asia itself is pursuing increased economic integration at a rapid pace. At the same time it is confronting complex problems of national identity, political and social transitions, inter-state rivalries and intra-state conflicts. A myriad of Asian-centered regional institutions and processes with varied memberships have been developed to address these issues. Most are consensus-based, voluntary, relatively inclusive and move at a pace comfortable to all. They have multi-

¹ Job, Brian. "Realizing the other Half of Diplomacy". *Canada-Asia Agenda*. Asia Pacific Foundation of Canada. August 7, 2012.

dimensional, overlapping and sometimes conflicting agendas, as seen for example, in the complex domains of the Asia Pacific Economic Cooperation (APEC) forum and the East Asian Summit (EAS).

These processes are open to and value non-Asian participation. We consider active participation in key regional institutions an essential component of pursuing Canadian initiatives and negotiating bilateral mechanisms with key Asian countries. Process matters in an Asia Pacific context in reaching consensus and in building relationships. Contributing as well as receiving is important. A commercial policy alone will not succeed for Canada in Asia; presence and participation in the broader arena counts.

Findings and Recommendations

The conclusions and recommendations in this report are derived from consultations with officials; industry representatives; researchers and diplomatic representatives from the Asia Pacific; our individual experiences in Asia and with Asia Pacific processes over the past twenty-five years; and our own assessment of Canadian objectives in Asia and the world.

“Regional architecture” refers to the various institutions and mechanisms through which Asian countries cooperate and collectively work towards common goals. The word “institution” is used here loosely to refer to regional fora, conferences, groupings and organizations for dialogue and cooperation.

“Mechanism” refers specifically to bilateral processes, especially formal trade and economic agreements. Both are defining features of Asia’s regional architecture and have distinctive characteristics that require careful understanding and nuanced policy responses.

Our definition of Asia encompasses the countries in Northeast, Southeast and South Asia. Reference to the

Asia Pacific also includes non-Asian countries including Australia, New Zealand, the United States, Russia, Canada, Chile, Mexico and Peru. The key institutions and mechanisms of immediate relevance to Canada are in, or centered on East Asia defined to include China, Japan and South Korea in addition to the countries in ASEAN.

There are many other regional institutions in operation in the Pacific Islands, South and Central Asia, linking Asian members in other regional configurations, for example the Shanghai Cooperation Organization (SCO), or at a trans-regional level such as the BRICS summit process.

All of these are important. Canada should, however, focus on the East Asian-centered processes, many of them connected to ASEAN. These processes, to which Canada has access, are the most dynamic and visible in addressing the full range of economic, political and security issues that confront the region.

India deserves special mention because of its rising importance to Canada in terms of economics and human migration. India is quickly integrating into East Asian commerce as well as regional and global supply chains. This is reflected in its trade with ASEAN, which grew by 30% in 2010-11. India also participates in some, but not all, of the East Asian-centered regional processes. It has a strategic regional role, for example, as a player in naval balances in the Indian Ocean and South China Sea, in the geo-politics of responding to China’s rise and great power maneuvering, and as a significant and potentially important player in regional and global multilateralism. But India is not currently a leader in any of the East Asian-centered processes even in those to which it belongs. It should not be ignored as a force of the future, but in our report is featured in the areas of

bilateral diplomatic and trade relations rather than as a leader in the emerging institutional architecture.

In examining the regional institutions and mechanisms in Asia and the Asia Pacific region, we have observed that success in Asia, as countries like Australia are demonstrating, will take not just a whole-of-government but instead a whole-of-country approach. We contend that Canada's response needs to be big, ambitious, coordinated, multi-dimensional, and long-term, based on a cross-partisan consensus. We advocate a full-scale engagement with Asia that includes:

- **A regional and bilateral approach:** The two tracks are not mutually exclusive and can reinforce Canadian goals and objectives. There are a multitude of regional processes and Canada should place priority on the most important of these institutions. It is neither prudent nor possible for us to be everywhere at all times.
- **Government and non-government stakeholders:** Governments and policy experts have an essential role to play in building institutional frameworks, rules and norms. This role can be supported by non-government stakeholders from academia, business and civil society that participate actively in the various organizations and fora that structure the dialogue across the Pacific and within Asia (i.e. the "track-two networks").
- **Engagement in multiple domains:** We should harbor no illusion: A one-legged (read economic) strategy will seriously handicap Canada's ability to compete successfully with other countries that have recognized the importance of a comprehensive and coherent strategy in approaching the region. Institutions, dialogues and networks that focus on political, security, military, cultural and people-to-people concerns are not detours but necessary

companions to the economic agendas vital to our prosperity.

We were asked to identify for Canada the most relevant Asian institutions and mechanisms and generate new ideas and recommendations on strategies for Canada's participation and leadership in the relevant regional fora.

We provide our recommendations and underscore the necessity of other complementary actions Canada must address to secure a place in Asia. These include investments in our domestic infrastructure to ensure they are oriented and have the capacity to respond to the demand of Asia for our goods and services, a focus on education and research, and consideration of overseas development and aid as tools to support Canada's regional and bilateral objectives. With each of these actions, it will be extremely important for Canada to invest the human and financial resources necessary to develop, implement and sustain a long-term Asia strategy.



PART 1

THE WORLD IN TRANSITION AND REGIONAL DEVELOPMENTS IN ASIA

The rapid growth of major Asian countries over the past two decades has led to an increase in Asia's economic weight in the world economy. History instructs that polities gradually seek status and influence commensurate with their economic might. As we look to secure Canada's place in Asia, we must first come to terms with the imperatives of a world in transition and assess their policy implications for Canada. Five notable trends are:

- The rise of Asia as a driver for global economic growth.
- Increased competition for natural resources.
- Expanded Asian influence in global institutions.
- The preeminence of bilateral and region trade initiatives.
- A new geometry of political, diplomatic and military power.

IMPERATIVES OF A WORLD IN TRANSITION

ASIA: A DRIVER OF GLOBAL ECONOMIC GROWTH

THE EVOLUTION in the contribution to global output made by North America, Europe, Asia and the rest of the world highlights the dynamism that underlies the resurgence of Asia on the global stage. In 1980, Asia comprised 20% of total world GDP. Following the rise of Japan and South Korea, the four Asian Tigers, Singapore, Hong Kong, Taiwan and Vietnam, and the more recent opening of both China and India, Asia has now surpassed both North America and Europe as the main contributor to world economic output.

Asia's ascendancy in ranking relative to North America and the European Union in terms of global output does not mean that these two major economic regions have been experiencing a decline in domestic production. Rates of growth do not tell the whole story. The European Union and North America are the markets for more than 85% of Canada's exports and outward direct investment.

- In 2009, Canadian receipts for services from the United States, the European Union, and Central and East Asia amounted to C\$37.4 billion, C\$14.8 billion and C\$5.9 billion respectively.

- The value of Canadian direct investment abroad in 2010 was C\$250 billion in the United States, C\$157 billion in Europe and C\$55.2 billion in Asia.³
- From 1990-2010, the rate of growth of our direct investments in Europe was roughly the same as that in Asia. This was at a time when Asian growth was outpacing European growth.
- Between 2000 and 2008, the value of Canadian exports to the European Union increased by C\$14.9 billion compared to a total of C\$13.7 billion to the five largest Asian markets.⁴

At the same time, Asia must be recognized for what it is: an increasingly integrated economic region and a major engine of economic growth in the coming decades. Consider the following:

- Exports to the Asia Pacific represent 10.9% of total Canadian exports.
- China, Japan and South Korea are three of the largest individual destinations for our merchandise.

According to the International Monetary Fund (IMF), "Twenty years from now, Asia's economy as a whole

TABLE 1. NORTH AMERICA, EUROPEAN UNION AND ASIA CONTRIBUTION TO WORLD OUTPUT²

Region	1980 (%)	2010 (%) ^o
North America	27	22
European Union	31	21
Asia	20	35
Rest of World	22	22

² North America is comprised of Canada, Mexico and the United States. The European Union is comprised of (since 1980): Belgium, Denmark, France, Germany, Ireland, Italy, Luxembourg, Netherlands, United Kingdom; since 2010: 1980 members plus Austria, Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden. Asia is comprised of Australia, Bangladesh, Bhutan, Brunei, Cambodia, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Myanmar, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, and Vietnam

³ Includes Australia and New Zealand.

⁴ Ibid.

“A large majority of Canadians (81%) agree that “Canada should focus on developing good economic relations with Asia, but it should not move away from its historic economic partnership with the United States and Europe.”

*2012 National Opinion Poll: Canadian Views on Asia
Asia Pacific Foundation of Canada*

will, on these trends, be larger than that of the G-7 and will be half the size of the G20”.⁵ Once viewed as the factory of the world, Asia is now seen as a significant consumer market. This is largely due to the rise of a middle class that has more than doubled in two decades, jumping from 21% of the region’s total population in the 1990s to 56% in 2008.⁶ According to estimates from the Asian Development Bank (ADB), developing Asia’s annual consumption could reach US\$32 trillion or 43% of total global consumption by 2030. If so, Asian consumers, like the North American and European middle class before them, will become a driver for global consumption.

The implications for Canada’s trade and foreign investment policy are straightforward:

Asia is a major economic theatre alongside North America and Europe and Canada must invest a commensurate amount of time and resources to realize the benefits of our multiple layers of connection with Asia.

INCREASED GLOBAL COMPETITION FOR NATURAL RESOURCES

PARALLEL TO the rosy picture of Asian growth are complexities that have given rise to new stresses and

strains. The resource requirements for infrastructure and burgeoning urban populations puts pressure on the natural environment and presents significant challenges with respect to the adequate supply of food, water, energy and other necessities.⁷

The degradation of forests, arable land and the natural environment, and the impact of climate change in Asia, has made it more difficult for countries to satisfy their needs for many essential commodities. For example, China, despite its vast coal supplies imports cleaner types of energy. India, which was once agriculturally self-sufficient, now relies on the import of lentil and other pulses from exporters, including Canada.

Asia’s quest for resources causes for major spillover effects in the realm of economic, foreign and security policies. Worldwide, the demand for natural resources in Asia has translated into rising world prices for oil and natural gas, metals, strategic minerals, grain and other commodities. Also, there has been in recent years a surge of Asian investment, particularly by state-affiliated companies, in the development of global energy, copper, uranium, rare earth elements and other resources. As seen in Canada, the United States, and Australia, there has been significant concern when state-owned companies in Asia seek to buy local companies in strategic sectors of the economy.

For Canada, it is important to realize that the resource competition in Asia is urgent and that there are real military and security concerns associated with the quest to secure greater resource security. Disputes over territories in the South China Sea and Sea of Japan as well as concerns about China’s blue water expansion in the Indian Ocean, are in part manifestations of the resource insecurity felt in the Asia Pacific. These flash-points for conflict continue to flare up on a regular basis.

Regional and global discussions on solutions to address energy, food and water security concerns, as well as

⁵ IMF. “Asia’s Growing Importance in the World Economy”. May 12, 2012. Accessed at: <http://www.imf.org/external/pubs/ft/survey/so/2010/car051210a.htm>

⁶ Asian Development Bank. “Asia’s Expanding Middle Class Presents Huge Opportunity for Region, World –Report”. August 21, 2012. Accessed at: <http://www.adb.org/news/asias-expanding-middle-class-presents-huge-opportunity-region-world-report>

⁷ The scale of the challenges in Asia is massive: In over a decade, it will be home to 21 of the world’s 37 megacities. It is already home to three of the world’s most populous countries—China, India and Indonesia—in addition to six of the world’s top-ten energy consumers.

on the rules surrounding the behavior of state-owned enterprises and sovereign wealth funds, are of great importance to Asia and to Canada. Given that Canada is a major producer of energy, food and minerals, it has the potential to be part of the solution.

Engaging Asia in a substantive discussion on resource security, exploring areas of cooperation, and building Asia-oriented infrastructure with the capacity to deliver the sorts of resources in the large quantities Asian nations are seeking, will allow Canada to further capitalize on its competitive advantages and capture a greater share of the Asian market.

EXPANDING ASIAN INFLUENCE IN GLOBAL INSTITUTIONS

THE INCLUSION of China, Japan, South Korea, India and Indonesia in the Group of 20 (G20) is important as it is the only forum where major developed and emerging economies meet in an equal setting. The G20 economies collectively account for 85% of gross global production, 80% of world trade and 67% of the world population.⁸ It has largely surpassed the G8 as the premier forum for economic issues. At the instigation of the G20, the IMF recently agreed that the relative weight of IMF quotas should better reflect the relative weight of IMF members in the world economy. China is expected to rank third in IMF voting rights by the end of 2012. Asians are now assuming leading roles in global organizations including at the United Nations (UN) where the UN Secretary General is Korean and the Under Secretary General of the UN responsible for economic and social affairs is Chinese.

The increased influence of Asia in the institutions of global economic governance is a major development because it provides Asian powers greater opportunities

to participate in economic decision-making at the global level. As Asian countries play a more prominent role in global economic governance, we will see the emergence of new rules and norms, and the modification of existing ones, that reflect their specific concerns and interests. A similar evolution should be expected in other realms of international affairs, including security.

Asia's nascent institutional architecture has proven to be a valuable machinery to manage international relations among countries that have a high degree of economic interdependence but that also exhibit strong inter-state rivalries. Their experience with these institutions and mechanisms and their successes and failures in addressing the mountain of domestic and trans-national problems that confront Asian countries, are bound to echo in the institutions of global governance.

The rise of Asian players on the global stage means that Canada will need to secure the support of these new powers on matters of fundamental concern to Canadians across a broad range of issues, including financial and trade policy, peace building, human security and the use of force, controlling Weapons of Mass Destruction and terrorism, climate change, communicable disease and a range of other global issues.

The rules, norms and institutions of an open and rule-based international system are being reshaped as a result of shifts in power and interests. A Western-centered world order is interacting with a rising Asia in ways that demand a search for shared values to succeed or at least supplement the institutions and norms that constitute the world governance system. This fundamental shift in the constellation of power within global economic governance institutions means that **deep relations with key Asian players are vital to support Canada's global agenda.**

⁸ See appendix for more information on G20 members.

THE PREEMINENCE OF REGIONAL AND BILATERAL TRADE INITIATIVES

IN THE PAST DECADES, there has been a global shift towards regional and bilateral agreements. While the World Trade Organization (WTO) remains the primary regulatory body to arbitrate international trade disagreements, the objective of further reducing barriers to trade under a multilateral pact involving the majority of the world's countries remains stubbornly elusive. The impasse that plagues the Doha Round negotiations has prompted a resurgence of interest for regional and bilateral trade agreements, notably in Asia. A multilateral trade liberalization agreement encompassing a significant reduction in tariff and non-tariff barriers would be the best solution for Canada, but this is not how the world is unfolding.

Canada does not have the capacity to change the rules of the game. While we are close to concluding a very important deal with the European Union, a priority trade matter for Canada, it does not excuse the fact that we do not yet have a single FTA with an Asian country.

Securing preferential trade arrangements in Asia is a matter of urgency for Canada as other developed nations, notably the United States, European Union and Australia, have concluded deals with Asia, resulting in significant trade diversion costs for the Canadian economy. Canada must pursue an ambitious



Trade liberalization is, of course, not always easy politically, but it is an effective way and an inexpensive way to create growth and jobs and ensure long-term prosperity.”

*Statement by the Prime Minister of Canada, Stephen Harper
2012 Conférence de Montréal*

set of regional and bilateral agreements to regain and establish competitive advantage. In short, **preferential trade access in Asia is necessary for Canada to compete with the United States, European Union, Australia and other competitors in key Asian markets.**

A NEW GEOMETRY OF POLITICAL, DIPLOMATIC AND MILITARY POWER

THE GLOBAL SHIFT towards Asia is not just economic, it is also political and strategic. China's emergence as a global force in trade, investment, diplomacy and military affairs, is a key part of the shift in power occurring at the world level. China today has the capacity to challenge the United States' preeminence in the region that has been uncontested for 40 years. From an Asia Pacific perspective, there are now two suns in the Asian sky; the shifting gravitational fields this produces has huge implications for whose rules and whose interests will prevail.

China's economic growth cannot be understood without acknowledging its close integration into production systems involving its East Asian and global partners. It is now the largest trading partner, and often the most important source of foreign direct investment, for virtually every country in Asia. China has benefited from an American-centered international order and is largely content, at least for the moment, to live within it. No one doubts that China possesses the economic scale, dynamism, military heft, and diplomatic weight to influence and potentially alter the regional and, in some cases, global rules of the game.

The rise of China and the challenge it presents to its neighbours and above all to the United States has profound implications for the regional and global orders. It is not lost on senior policy makers that history contains few examples of successful and peaceful strategic transitions of the scale currently underway.

Positioning Canada in this power shift is a key intellectual and policy challenge. Like Australia, Canada confronts new dilemmas in the instruments it selects and the values and norms it desires to protect in a situation in which: our primary economic and security partner is the United States; in which we are on the verge of a substantial shift in trade and investment patterns; and in which our traditionally successful engagement strategy with China is taking the shape of an enhanced strategic partnership including direct energy exports and large inward investment.

Canada has an overwhelming interest in the maintenance of a stable and peaceful Asia. Canadian policymakers share with their counterparts in Asia the concern raised by former United States diplomat Stapleton Roy, that while it is in East Asian interests to see the United States “sufficiently engaged to deter China from using its growing military capabilities in inappropriate ways. At the same time, they do not want the United States to rely excessively on the military component of its regional presence or to behave in ways that make China a more dangerous neighbor and increase pressures on them to choose between China and the United States”.⁹

Playing a constructive role in muting the geo-political tensions produced by China’s rise may be the defining challenge for middle-powers like Canada, Australia and several Asian governments. **Canada needs to recalibrate its role and approach in Asia to fully take into account this new geo-strategic reality.**

REGIONAL DEVELOPMENTS IN ASIA

AS WITH ANY REGION of the world, history and context matters. We need to draw on this to understand the way in which the numerous Asian institutions and mechanisms may influence the future shape of Asia.

An overview of the region's emerging institutions and mechanisms reveal that politics, security and economics are inextricably linked and inseparable. The region's political and security institutions are needed to increase confidence and trust, manage geo-political transition, and facilitate the region's capacity to deal with inter-state tensions and intra-state violence, at the same time that economic integration and deeper policy coordination are needed to sustain growth and prosperity. They are two sides of a single coin.

China and Japan—are unable to work together in a coordinated and sustained fashion for reasons of history and outlook.

- Second, they tend to be inclusive. Despite occasional efforts to create regional institutions to contain or isolate specific countries, the most effective and long-lasting institutions have attempted to work across divides of ideology and regime type. Also, most have found it useful to include extra-regional actors including the United States, Australia, New Zealand, Canada and others.
- Third, they continue to enshrine the principles of state sovereignty and non-interference in domestic affairs of others. Institutions tend to operate on the basis of consensus and voluntary compliance rather than majority-based and legalistic rules. The process of consultation and dialogue are often valued as much as outcomes. In addition, institutions are often supported by parallel “track-two” activities, which feature experts and officials in their private capacities addressing policy-related issues that governments and civil societies confront.

HISTORY AND CONTEXT

HISTORY LOOMS large in shaping the ideology, culture, values and traditions of countries and affects their ideological and institutional approach to governance. Asia is defined by its extraordinary diversity of religion, culture, values, economic development, economic and political systems, and size. All are comparative latecomers to the European system of nation states; most only shed colonial rule or domination after the Second World War. Furthermore, most share an aversion to any kind of shared sovereignty or European-style political integration, and in almost all cases, democratic or authoritarian, there is a penchant for strong and active states—a very different starting point than the liberal ideals and experience of the West.

Asian institutions share three defining characteristics:

- First, they have not been built by one or two leading states. The most powerful states in East Asia—

BOX 1: TRACK-ONE AND TRACK-TWO PROCESSES

Track-one refers to official government-to-government relations. This includes state visits, formal dialogues, talks and agreements.

Track-two is an informal type of expert setting in which government officials, scholars, business leaders and civil society leaders participate in a personal and unofficial capacity. The purpose of these dialogues is to exchange information, and identify common goals and potential areas of cooperation. Track-two processes often inform and feed into the official, government-to-government track-one process.

THE QUEST FOR REGIONAL PEACE AND STABILITY

WHILE THIS may be the most peaceful moment in Asia in 400 years measured by the absence of inter-state warfare and number of casualties resulting from domestic insurgencies, the region confronts a series of acute security challenges between states and within them and at the geo-political level.

At the inter-state level, the Cold War has not yet ended on the Korean Peninsula; there are major unresolved territorial disputes, such as Kashmir, Cross-Strait relations, the South China Sea and Sea of Japan; and disagreements over history, as seen in Japan's interpretation of its World War II activities. At an intra-state and domestic level, several countries are facing armed separatist movements, political protests and other threats to domestic stability. On a region-wide basis, there are concerns about new forms of conflict (including in the cyber domain), the increased lethality of weapons systems; resource scarcity, competitive arms acquisitions; and the growth of military spending and force posture with China being of principal concern.

The security order is built upon a system of unilateral preparedness, an American-centered bilateral alliance system and a thin but thickening framework of regional institutions. These regional institutions extend beyond traditional alliances to fashion a regional order designed to constrain big power competition, minimize misunderstandings and increase confidence, and address the management of inter-state, intra-state and domestic conflicts and emerging threats. Some of the institutions, most notably those initiated by ASEAN, have in their purview difficult security issues and flashpoints for conflict.

How the region will respond to a more powerful and occasionally assertive China is the geo-political question of the era. The United States' recent "rebalancing" or "pivot" toward Asia is the latest

chapter in its strategic interaction that has major bilateral, regional and global significance. There is a widely held view that the motive for the American shift is to counter China's growing power by improving relations with important bilateral partners and allocating new resources for a sustained presence in the Pacific, including a re-configuration of its force structure and air-sea capabilities.

American officials have taken great pains to reassure China and the region that the pivot is not an effort to contain China but rather to undergird the United States' continuing and long-term presence. Leaders in both Beijing and Washington both avoid characterizing their relationship as adversarial or hostile. Yet, at the tactical level, each has been willing to challenge the other in areas including the Korean peninsula, the South China Sea and a range of trade disputes, cyber activities and human rights issues. The danger, writes James Steinberg, a former United States Deputy Secretary of State, "is that both sides will begin to orient their grand strategy around this assumption of long-term rivalry. Such an outcome is not inevitable, but without a more active—and successful—effort to manage structural tensions, the risks will grow substantially in the years to come".¹⁰

A drift to strategic rivalry and mutual antagonism, let alone direct conflict, poses difficult political and military choices for countries in Asia, almost all of which have China as their largest trading partner, most of which have special security arrangements with the United States, and almost all of which look to the United States to play a balancing role in the region.

There are numerous security institutions and mechanisms that deal with the myriad of concerns in the Asia Pacific including the Six Party Talks, focused on North Korea; the ASEAN Regional Forum, which has pledged to develop a code of conduct in the

¹⁰ Steinberg, J. "Strategic Challenges for the U.S.-China Relationship". *National Bureau of Asian Research*. Asia Policy, no. 14 (July 2012).

South China Sea; and supporting bilateral processes that deal with specific issues such as human trafficking, counter-terrorism and links to organized crime. There are also a number of regional military exercises that seek to enhance cooperation between armed forces and navies in the Asia Pacific and dozens of track-two meetings and processes, which seek to advance regional security cooperation.

For Canada, the political, security and military institutions and mechanisms of immediate relevance are:

THE ASEAN REGIONAL FORUM (ARF), ASEAN DEFENCE MINISTERS MEETING PLUS PLUS (ADMM++) AND EAST ASIA SUMMIT (EAS)

The ASEAN institutions, including the ASEAN Regional Forum (ARF), ASEAN Defence Ministers Meeting Plus Plus (ADMM++) and East Asia Summit (EAS), are by the most developed regional processes for political and security dialogue in Asia.

ASEAN, a political, economic and social organization, was born in 1967 and intended to reduce intra-regional tensions for its six initial members, Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Since then it has since expanded to ten members with a broader agenda, including defence and security cooperation. Since the end of the Cold War, the association has played an important role in promoting and leading a variety of inter-governmental and track-two processes for dialogue and inter-governmental cooperation. Building on its reputation as a neutral regional player, it has devised mechanisms to engage bilaterally and through inclusive regional processes with external powers, including the United States, China, Russia, Australia, Canada, the European Union and more recently India and Pakistan.

ARF was founded in 1994. Its initial concept paper identified a phased approach to institutional development: the forum would start with confidence-

building measures, shift to preventive diplomacy, and then conflict resolution. ARF has made slow progress in the area of preventive diplomacy and has only just begun to facilitate broad discussion on non-proliferation, arms control, peacekeeping, maritime security, specific conflicts including the Korean peninsula and South China Sea, and political reform in Myanmar. It holds an annual meeting of Foreign Ministers, has inter-sessional working groups, and 27 members. It is also supported by two track-two processes: its own group of Experts and Eminent Persons, and the Council for Security Cooperation the Asia Pacific (CSCAP), established in 2003 to offer policy recommendations to various inter-governmental bodies and establish links with worldwide institutions.

The newest institutional forum is the ADMM++. The ASEAN Defence Ministers (ADMM) first met in 2006 and in 2010 established ADMM++, which includes participation by defence ministers from China, Japan, South Korea, India, the United States, Russia, Australia and New Zealand. The ADMM and ADMM++ are the only dedicated meetings of defence ministers in the region. So far the agenda has focused on non-traditional security issues including natural disasters, pandemics, and the security implications of climate change and environmental deterioration.

The EAS is the third and potentially most important ASEAN institution for political-security dialogue. Unlike the ARF and ADMM++, EAS is focused on dialogue at the leaders' level. The EAS was created in 2006 and though originally proposed as an "Asians-only" institution grouping ASEAN countries, Japan, China, India and South Korea, from the start it also included Australia and New Zealand. In 2010 it accepted the United States and Russia as members. Touted as a platform for political and security discussion, its agenda covers a wide range of concerns, including energy, the environment, finance, and

disaster response. So far there have been at least two meetings of both EAS foreign and finance ministers.

The EAS agenda and role has not yet been formally defined. It has the potential to provide a framework that will include the ARF and ADMM++ as the main fora for multilateral security engagement, and displace the Asia Pacific Economic Cooperation (APEC) as the premier leaders-level meeting in the Asia Pacific. Notably, leaders at the most recent EAS summit welcomed a proposal by China to hold a track-1.5 International Symposium to discuss how to make the EAS more “constructive, visionary and strategic with tangible outcomes.”¹¹

ASIA PACIFIC ECONOMIC COOPERATION (APEC)

Technically speaking, APEC is an economic and trade institution. While known primarily for its work on trade facilitation, its agenda has expanded in the wake of 9/11 to include counter-terrorism, emergency preparedness, trade security, climate change mitigation and various resource security concerns. APEC was originally established to engage leaders, ministers and senior officials on both sides of the Pacific in open dialogue on issues related to trade facilitation and liberalization. This trans-Pacific exercise was an important means to prevent a line drawn across the Pacific Ocean and is supported by two track-two networks: the APEC Business Advisory Council (ABAC), which includes private sector representatives appointed by their respective APEC Leaders, and the Pacific Economic Cooperation Council (PECC), a trans-Pacific network of government, business and academic participants. Critics note that APEC has overextended itself, lost its focus, and should return to its roots as a meeting of trade ministers while proponents highlight APEC’s valuable work in the area of trade facilitation

Three other inter-governmental institutions and processes in the security domain are of special interest to Canada:

The **Shangri-La Dialogue**, while formally a track-two process, is noteworthy because of attendance and private meetings involving senior level security, defence and intelligence officials. Organized by the London-based Institute of International and Strategic Studies and held annually in Singapore, it has two overlapping sets of meetings: one for officials and another for others that include academics, journalists and parliamentarians. It has been a platform for major announcements, such as the June 2012 speech by United States Secretary of Defence, Leon Panetta, on the United States’ plans to deploy a larger portion of its air and maritime assets to Asia. Topics have included naval enforcement in the Malacca Strait, confidence and trust building measures concerning naval forces, and the regional impact of China’s rise.

The Western Pacific Naval Symposium (WPNS) is one of two mechanisms for regional military cooperation that include forces and navies from both within and outside the Asia Pacific. The WPNS fosters navy-to-navy dialogue and provides a framework through which naval officials can discuss maritime issues of mutual interest, exchange information, and practice and demonstrate respective capabilities. More than twenty navies participate in the exercise.

The other military mechanism is Rim of the Pacific Exercise (RIMPAC). Conducted biennially, the exercise is hosted and administered by the United States Navy. The goal is to enhance interoperability and understanding between participating forces and to increase military readiness in order to promote regional stability. Depending on the year, there can be over twenty-four participating countries, making RIMPAC the world’s largest international maritime exercise.

With the exception of the EAS and the ADMM++, Canada is already a participant in all of these processes.

¹¹ ASEAN Secretariat. “Chairman Statement of The Second East Asia Summit (EAS) Foreign Ministers’ Meeting”. August 21, 2012. Accessed at: <http://www.aseansec.org/documents/Chairman%20Statement%20of%20FM%20EAS%20-%20Final.pdf>.

THE QUEST FOR ECONOMIC GROWTH AND PROSPERITY

THE RAPID GROWTH in intra-regional trade and the impetus for the proliferation of bilateral and regional FTAs stems, in large part, from the significant increases in the vertical trade of information and communication technology products, electrical goods and transport equipment that occurred in the last decades.

Vertical trade occurs when companies source supplies from abroad and fragment their production of a product across several countries. A consequence of vertical trade and the fragmentation of a production process are country specializations. Specializations have allowed Asian economies to create tight regional production networks and integrate themselves deeply into expanding global production chains.

Asia's rise in world trade also led to a notable shift in the division of activities within the region. In the mid-eighties, Japan dominated Asia's share of intra-regional trade. By the turn of the century, this share had expanded to include other East Asian countries, most notably China, a leading centre for the final assembly of parts and components produced in other East Asian economies. The results are that a substantial portion of intra-Asia trade is intimately linked to trade in parts and intermediate products within supply chains networks whereas exports to Europe and North America are dominated by final goods.¹²

The sinews of trade within Asia have been supported by a complex web of bilateral and regional FTAs aimed at facilitating the supply of parts across supply chains, and strengthening the competitiveness of production bases and networks for global markets. ASEAN has been the nexus for many of the regional and bilateral trade agreements and is arguably one of the most important drivers of regional economic integration today.

Trade architecture, however, is just one part of the region's search for greater economic prosperity. There are other processes too, such as the ASEAN+3 forum and the Chiang Mai Initiative, which promotes monetary cooperation between ASEAN, China, Japan and South Korea. Also, the ADB, whose mandate is to reduce poverty, is focusing on vehicles for analysis and action in support of regional economic integration as a means to address the growing developmental gap in Asia. Lastly, APEC, originally a trade-focused organization, has branched out to address other economic issues including resource security; infrastructure gaps, and financial architecture such as the development of a regional bond market.

For Canada, the most relevant regional economic institutions and mechanisms to note are:

ASEAN AND ASEAN+1 FTAS

Southeast Asia is a large regional market and ASEAN has emerged as a nexus for regional FTAs. ASEAN's first trade agreement, the ASEAN FTA (AFTA), was negotiated within its own membership. The AFTA aimed to facilitate the supply of parts across supply chains and to strengthen the competitiveness of production bases and networks for global markets. A limited goods-centered agreement, the AFTA, has facilitated supply-side integration of the region through unilateral tariff cuts that are not "bound" in the WTO.

Since 2001, ASEAN has signed a series of "ASEAN+1" agreements with major regional economies. When China decided to join the WTO in the late 1990s, there were serious concerns within ASEAN that it would divert trade and investment at their expense. At the time, China was perceived as a security threat by other states on the South China Sea and in a deliberate effort to ease the situation, Chinese Premier Zhu Rongji unexpectedly proposed a FTA with

¹² See appendix for source and destination of East Asia's durable goods.

ASEAN. China's proposal for a China-ASEAN FTA was the catalyst for similar agreements with Japan, South Korea, India, Australia and New Zealand. A recent ADB study concludes that with respect to goods, ASEAN's intraregional trade intensity and introversion are at least as high as that of the European Union and NAFTA.¹³

APEC AND THE FTAAP

APEC for several years has advocated the concept of a Free Trade Area of the Asia Pacific (FTAAP), which would include all twenty-one member economies. APEC is an informal and non-binding institution, does not have the ability to negotiate a formal agreement, and often relies on a "pathfinder" approach with likeminded economies to implement projects. As such, many see the Transpacific Partnership (TPP), proposed China-Japan-Korea FTA and the RCEP process as potential pathways or building blocks towards an FTAAP.

TRANSPACIFIC PARTNERSHIP AGREEMENT (TPP)

The original TPP was concluded in 2006 with four original members -Chile, Brunei, Singapore and New

Zealand. A major expansion of membership and coverage was initiated when the United States, Peru, Vietnam, Australia and Malaysia joined the negotiations in 2010. Canada and Mexico have been invited, subject to legislative approval processes in the current nine negotiating economies, to join future negotiations. Considered a WTO+ agreement, participants are addressing a broad agenda with over 20 negotiation chapters being considered including government procurement, competition policy, intellectual property rights and investor state dispute settlement processes. The approach in the TPP is to establish an expandable agreement to which interested economies can accede when they are prepared and able to meet the terms of agreement. China and others have voiced concerns over the TPP as a means for the United States to create a regional trade bloc that precludes the participation of China.

CHINA-JAPAN-KOREA FTA PROPOSAL

In May 2012, Japan, China and South Korea concluded a trilateral investment agreement. They announced shortly after that negotiations for a trilateral FTA would be launched later in the year. Together, the

TABLE 2. ASEAN+1 FREE TRADE AGREEMENTS

Partner	ASEAN	China	S Korea	Japan	India	Australia & New Zealand
Entry into force	1993	2005	2007	2008	2010	2010
Population (million)	599	1,939	647	726	1,814	625
GDP (US\$trillion)	1.9	7.7	2.9	7.3	3.4	3.2
Coverage	Goods Services Investment	Goods Services Investment	Goods Services Investment	Goods (Services, Investment covered through bilateral EPAs	Goods	Goods Services Investment Others
Duty phase out date (A6+DP)	2010	2012	2012	2026	2019	2020
Total trade (US\$billion)	519.8	751.8	618.4	726.4	575.2	582.6

Source: Ravidran P, "ASEAN's Regional Comprehensive Economic Partnership initiatives", Ministry of International Trade and Industry, Malaysia.

¹³ Hamanaka, S., "Is Trade in Asia Really Integrating?", ADB Working Paper Series on Regional Economic Integration, no. 91, January 2012.

three economies would form an economic block about equal in size to the United States economy (US\$14.3 trillion vs. US\$15.1 trillion in 2011), accounting for nearly a fifth of global output and 18% of world exports. If this agreement is implemented, it too could be a building block for a broader region-wide FTA.

ASEAN++ OR REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

In November 2011, ASEAN announced its intention to consolidate its various ASEAN+1 agreements through a broad and expandable ASEAN++ or RCEP framework. The RCEP builds on earlier proposals by China for an East Asian Free Trade Area (EAFTA), and by Japan, for a Comprehensive Economic Partnership of East Asia (CEPEA). The RCEP has been interpreted as a direct response by ASEAN to the TPP, which is currently driven by the United States and includes only four of ASEAN's ten members. Preparatory work for the RCEP is underway on three chapters: goods, investment and services.

In so far as the RCEP, TPP or China-Japan-Korea FTA each have the potential, if successfully executed, to serve as the base for an FTAAP or broad region-wide FTA, the realisation of any one of these proposals would result in an economic bloc in the region. There appears to be competition between the major economic poles. China is included in the RCEP and China-Japan-Korea proposals but excluded from the TPP. The United States is in the TPP but excluded from the RCEP and China-Japan-Korea process. Meanwhile, Japan has kept its options open by signalling interest and/or participation in all three prospects. The competition between the RCEP, TPP and China-Japan-Korea processes are indicative of the goals, strategic interests and politics of membership surrounding each of the different Asian regional institutions and mechanisms that deal with either economic or political-security issues.



PART 2

CONSIDERATIONS FOR CANADA

Canada has struggled to keep up with the growth of institutions and regional and bilateral trade agreements in the Asia Pacific. Canada is a middle-sized power with a primary relationship with the United States, global economic interests, and heavy security and political commitments across the Atlantic and in the Western hemisphere. While Asia has not been the principal theatre of Canadian interest or activity, neither has it been unimportant nor neglected.

For roughly two decades starting in the early 1980s, Canada was an engaged, occasionally innovative, sometimes influential and consistently supportive second-tier player in regional institutions in the Asia Pacific. Canada's role in the Asia Pacific's regional architecture occasionally produced sparks of interest, effective leadership, and boldly successful initiatives. But its nemesis has been staying power and the ability to maintain focus, resources, and momentum for more than limited bursts as seen in the short-lived leadership of track-two security processes in the 1990s and moves like the initiation of talks with Singapore and South Korea on FTAs that never reached fruition.

A FULL-SCALE CANADIAN APPROACH TO ASIA

Develop a comprehensive long-term national strategy on Asia that is sustained over time.

In examining the regional institutions and mechanisms in the Asian region, we have observed that success in Asia, as countries such as Australia are demonstrating, will take not just a whole-of-government but rather a whole-of-country approach.

Australia's policy on Asia was shaped by a series of reports commissioned by the government in the mid-late 1980s. Major strands of this policy have included a focus on trade and investment liberalization; deepening cooperation and bilateral ties with regional partners; promoting rules-based cooperation in Asian regional processes; and expanding people-to-people ties through extensive student exchange, work, immigration and tourism programs.

Australia is also perceived to be an active participant in a full-range of Asian regional and bilateral processes: it was a participant in the creation of APEC in 1989, floated the concept of an Asia Pacific Community in 2008, and has established itself as an important regional player. In the lead up to joining the EAS in 2005, Australia announced an A\$5 million research initiative examining economic integration among EAS participants. Its participation in regional processes is supported by a comprehensive set of relations with Asia at different levels including government, business, universities, labour organizations and NGOs; systematic efforts to encourage dialogue on specific issues both within Asia and Australia; and developmental assistance in support diplomatic and security objectives. Similar to Japan, China and Singapore, Australia also has mechanisms for monitoring, connecting and funding the governmental and non-governmental players in the various multi-lateral fora and dialogue processes.

The payoffs of this engagement for Australia are huge: economic growth in Asia, especially China, has been a key driver of the Australian economy over the last decade; its total exports to Asia have increased substantially, now accounting for more than 13% of its GDP; and the proportion of direct investment from Asia has almost doubled in four years, with Asian nations now accounting for 19% of all FDI in Australia.

Like Australia, Canada has benefited from the rise of Asia. The difference is in the scale of benefits reaped:

- Between 2000 and 2008, the value of Australian exports to Canada's five major Asian export destinations grew at four times the rate achieved by Canada.¹⁴
- In 2010, the value of Australian exports to these same major markets exceeded the value of Canadian exports by a whopping C\$143 billion; this amount is equivalent to almost half of our total exports to the United States in that same year.

In several economic sectors Australia is a direct competitor to Canada in Asia and shows that tepid engagement by the Canadian government carries a huge cost for Canadians. The payoffs stemming from a thoughtful, comprehensive and sustained engagement can be enormous.

To this end, we advocate a full-scale Canadian approach to Asia that includes:

- Bilateral relations as an essential base, and participation in the region's multilateral institutions as an essential complement.
- Active and coordinated participation by government and non-government stakeholders.
- Engagement in multiple domains; a commercial approach alone simply won't work and a Canadian

¹⁴ See appendix for table comparing Australian and Canadian gains between 2000 and 2010.

prosperity agenda will be much better served by a multidimensional engagement.

To develop and implement a flexible and dynamic Canadian strategy able to serve, adapt and respond to ongoing changes, we urge:

1. The establishment of a system to facilitate a sophisticated exchange of information on Canadian objectives and actions in Asia between federal and provincial governments, track-two representatives, researchers and academics.
2. The provision of adequate human and financial resources to develop, implement and sustain a long-term Canadian strategy focused on Asia.

The system to facilitate information exchange could be supported by a coordinating unit with access to senior officials on Canada's participation in Asia and a regular convening, led by a non-government body, with relevant stakeholders. There are many Canadians who participate in Asia Pacific track-two networks and in economic and security programs, some of which are supported by the Canadian International Development Agency (CIDA), the International Development Research Centre (IDRC) and the ADB. What we are missing is a mechanism to systematically track and assess, occasionally support, and constantly link the actors to each other and Canadian priorities.

An investment of adequate human and financial resources to develop, implement and sustain a more focused and strategic Canadian approach in Asia will also be key to our long-term success. Australia's position in Asia is the product of a consistent approach by successive governments and a shift in mindset that has held for more than almost a generation. We cannot underestimate the challenge for Canada as it looks to secure its place in Asia.

CANADIAN ENGAGEMENT IN ASIA AND ASIA PACIFIC INSTITUTIONS

CANADA IS CURRENTLY a member of APEC and the ARF. It is also a dialogue partner with ASEAN, recently celebrating its 35th anniversary. Canada's track-two activities include participation in CSCAP, PECC, ABAC and the Shangri-La Dialogue.

Over a twenty-five year period, Canada established credentials in several East Asian and Asia Pacific processes. The most consistent has been support for ASEAN and several of its domestic, regional and international initiatives. In 1990, it initiated and led for three years the first government-sponsored, inclusive track-two security program in Northeast Asia (the North Pacific Cooperative Security Dialogue), a precursor to what emerged a decade later as the Six Party Talks addressing North Korea's nuclear issues. In Southeast Asia, it funded and provided intellectual leadership for more than a decade on Managing Potential Conflicts in the South China Sea. It was a founding member of APEC in 1989, the ARF in 1994, and hosted the annual APEC Leaders meeting in Vancouver 1997, Canada's Year of the Asia Pacific.

Further, Canada has provided financial and intellectual resources to create and sustain several regional think tanks and networks, including the ASEAN Institute of Strategic and International Studies, and played a catalytic role in the processes that led to the formation of PECC and CSCAP. Canada also continues to be one of the largest shareholders in the ADB, though the economic benefits for Canada from our participation in the ADB have to date been fairly limited and not commensurate with our financial contributions. This is largely due to a lack of take-up by Canadian companies of tendering and contract opportunities.

Domestically, Canada has shown imagination and leadership, establishing innovative channels for government, academic and business interactions, among them the Asia Pacific Foundation of Canada, the Canada-ASEAN Centre in Singapore, the Canadian

Member committees of PECC and CSCAP, and the Canadian Consortium on Human Security. Government resources were used to generate and sustain non-governmental participation and pioneered innovative ways for encouraging the habits of dialogue, crafting multilateral institutions, dealing with new or non-traditional security issues, and playing a middle-power role that was generally appreciated in Southeast Asia and to a lesser extent Northeast Asia.

The decline in the level of Canadian commitment in Asia began after Canada hosted APEC in 1997. The scope and pace of Asia-based institutions increased after the Asian financial crisis in the same year, and other countries were more willing to step in and provide the support and leadership needed. In Canada, it became increasingly difficult to attract ministerial and bureaucratic interest in the evolving regional architecture; funding for Canadian participation in track-two economic and security dialogues constricted; and our aid agency turned away from programs in regional governance.

In more recent years, the Canadian government's insistence on the need to achieve efficient and measurable results, and emphasis on other priorities, did not sit easily with the circuitous and complex evolution of Asian institutions. Asian partners and friends expressed concerns and disappointment about Canada's vanishing profile.

Canada has a reputation in Asia of showing up there but not being serious about establishing a long-term relationship.

Wendy Dobson
Canada, China, and Rising Asia: A Strategic Proposal
Rotman School of Management, University of Toronto

However, there have been since 2008 significant positive signs of a renewed interest in Asia and Asian institutions at the political and senior levels in Ottawa. The frequency of Prime Ministerial and ministerial visits has increased and relations with ASEAN have improved through the signing of ASEAN's Treaty of Amity and Cooperation (TAC) in 2010. These and the other recent developments noted in the introduction to this report may signify a new chapter in Canada-Asia relations.

OPPORTUNITIES AND CHALLENGES

THE HARDEST challenge for Canada in Asian regional institutions has been to define clear objectives and commit the resources necessary to become a significant player in a complicated, sometimes confusing, often frustrating, and constantly moving playing field.

Compared to Asian, Australian and American partners, we do not have a clear, articulated set of policy priorities to guide our participation in the multitude of Asian regional institutions. This is true in all dimensions: political, security, military and economic. Canada is usually present but neither strategic nor proactive in its involvement. In this regard, our proposed system for an information exchange within Canada is valuable; the system would be a means and opportunity for us to identify, articulate and advance Canadian messages through both networks and fora.

Another challenge concerns the domain of politics and security and our ability to take on issues that have value in the region, are within the range of Canadian capabilities, and advance identifiable Canadian interests. Naval exercises, ship visits, forward operation centers and the occasional involvement in peacekeeping and peace-building operations are valuable.

However, Canada's key assets are diplomats, soldiers, police, academics and NGOs focused on issues tied to conflict resolution and mediation. We believe that our biggest opportunity is in the area of non-traditional security issues. Our most visible success in the last two decades, the program on Managing Potential Conflicts in the South China Sea, did not target the hard issues of sovereignty and control or, directly, emerging geo-politics. Instead, it took an inclusive approach to dealing with a number of environmental and resources issues surrounding the problem, and advanced ideas related to a declaration of conduct, addressing incidents at sea, that played a major role in the region. We recognized that while the South China Sea conflict is in part a struggle for resources and sovereignty, it is also a struggle to determine who will set the rules on matters that include freedom of navigation and management of migratory species.

A third challenge concerns the centrality of ASEAN. In Canada, a view that has been advanced recently is that the ASEAN-centered processes a slow road to an uncertain destination, but further diverting resources from global processes such as the G20, that include key Asia Pacific players, Australia, China, India, Indonesia, Japan, South Korea, and the United States and in a setting where Canada has a distinctive pedigree and role. Alternatively, some argue that Canada should exit the region-wide, inclusive processes and focus on ad hoc coalitions of the like-minded along the lines of the Proliferation Security Initiative designed in part to eliminate the potential for North Korean export of weapons or fissile material and nuclear technology or, as some have advocated, collaboration to promote democracy and human rights.

Ad hoc initiatives deserve to be evaluated on their own merits. Some of them run the risk of isolating China and hint at a containment strategy that is both unrealistic and dangerous. Even the valuable ones are

not a substitute for the more inclusive form of multilateralism that however difficult is the only region-wide effort at combating the hard problems of inter-state and human security and the overlay of US-China rivalry and geo-political transition. First, whether in Asia, as in Europe and elsewhere, security dialogue, confidence building and conflict resolution is an arduous, time-consuming and patience-testing business.

Second, the ASEAN game for the moment is the only mature multilateral game in town. So far, as Canada is committed to developing a rules-based regional order in a complex and difficult neighborhood, this is our best option. Even as countries in Asia hedge against China's rise, none is ready for a containment policy they feel would be unworkable and counter-productive.

Third, beyond what we do in global fora including the UN and the G20 and in our bilateral consultations with Washington and Beijing, where else can we work with like-minded middle powers concerned about blunting China-United States tensions and easing an authoritarian China into a liberal international system? To be effective with Asian partners in the G20 requires being active with them in their own region, one in which Canada feels it belongs by dint of geography, history and human connections.

Our recommendations on Canada's institutional engagement with Asia, center on building comprehensive relations with the region through participation in the nascent and evolving group of regional institutions and mechanisms. We do not need to play every note on every piano but we do need to know the full keyboard and maintain a credible, visible and constructive presence at the most important.

To advance Canada's overall objectives, we recommend:

At a bilateral level:

1. **A formal and permanent bilateral dialogue with the United States focused on Asia.** Canada and

the United States share many common goals with respect to Asia; yet, there remain occasional differences in our interests and positions on key issues. A deeper understanding of each other's priorities on Asia is vital to inform Ottawa's strategies and identify specific areas of collaboration.

2. **Regular and substantive dialogues between Ministers and Senior Officials with key Asian partners for Canada, especially China, India, Indonesia, Japan, and South Korea,** on various issues including regional institutions and mechanisms.
3. **Establish a clear, visible and sustained Canadian presence in Asia's regional institutions.**

At a regional level:

1. **Seek early admission into the EAS**

EAS has the potential to replace APEC as the premier—and only—Leaders-level summit in the Asia Pacific. It is also poised to become the region's premier platform for dialogue on political-security issues and is expanding to include new processes.

Canada fulfills all the requirements for EAS membership and should work towards early admission into this emerging institution. EAS will deal with the crucial issues of natural resource scarcity and supply as it converges with several non-traditional security issues; these are areas in which Canada has direct and consequential interests and in which Canada can and should be an active and significant regional player.

2. **Assert credentials in APEC by volunteering to Chair APEC in 2017 and advance national objectives**

APEC, originally envisaged to be an economic forum, is now the only trans-Pacific organization that covers the full spectrum of issues in the Asia Pacific. Though in need of more focus and challenged by the emerging EAS agenda, APEC continues to be most useful as a platform for regional economic integration.

Canada hosted APEC in 1997 and will be expected to Chair in the near future. Hosting is a symbolic commitment to APEC and the region, allowing Canada to advance strategic national objectives by focusing on themes such as natural resources and the revitalization of the organization. As an immediate step, the government should ensure ministerial participation in regular APEC meetings. The absence of Canadian ministers at APEC Ministerials has been perceived in Asia as a lack of Canada's interest in the region.

3. Seek early admission into the ADMM++ by profiling and communicating at the most senior levels what Canada can contribute.

The ADMM++ has the potential to be a premier security forum and its agenda is increasingly occupied by non-traditional security issues. This is a possible entry point for a clear and visible engagement by Canada; it is an opportunity to contribute and be seen as contributing, to a stable global and regional order.

Canada should identify one or two political-security issues in the domain of non-traditional and human security and make them signature Canadian priorities. Candidates are management of trans-boundary water resources, managing potential conflicts in the South China Sea, disaster relief, post-conflict peace-building and resolution, and combating illegal human trafficking. We should develop a plan to build knowledge and capacity on these themes over five years and mobilize both track-one and track-two instruments in support of them.

4. Sustain ministerial participation in the ARF and ministerial and high-level participation at the Shangri-La Dialogue

The ARF and Shangri-La Dialogue continue to be important platforms for regional political and security discussions. Sustained ministerial and high-level participation by Canada at these fora will demonstrate Canada's interest and commitment to the Asia Pacific as well as support our bid to gain entry into the ADMM++.

5. Deepen the dialogue with ASEAN and consider appointing a Canadian Ambassador dedicated to the association.

In Hillary Clinton's words, ASEAN is "a fulcrum for the region's emerging regional architecture." Having largely shaped the regional calendar, ASEAN is a key convenor and hub for a phase of Asia Pacific regionalism that is likely to prevail for at least the coming decade. ASEAN countries also make up important partners in Canada's trade and investment agenda.

With the recent opening of Myanmar and shift in Canada's policy towards the country, Canada now has an opportunity to expand and deepen ties with ASEAN. We urge the government to strengthen relations with ASEAN by creating a dedicated Canadian Ambassador to the association. Also, Canada should strengthen dialogue and cooperation with ASEAN so as to identify how Canada can contribute towards the management of conflict points and security threats through the various ASEAN-led institutions.

Canada should also establish a funding mechanism to actively support and participate in ASEAN and its related regional institutions' policy developments. For instance, such a funding mechanism could be designed to give the ASEAN Secretariat the ability to engage ASEAN and Canadian public and private sector research organizations and researchers in regional policy analyses. One major benefit of this approach is that not only would it support ASEAN needs but also ensure that Canada develops a domestic knowledge base and cadre of experts that have an intimate appreciation of Asia's diverse and complex realities.

A WINNING TRADE AND INVESTMENT STRATEGY FOR CANADA IN ASIA

TRADE AGREEMENTS, investment protection and tax treaties are three formal mechanisms that facilitate deeper trade and investment links between Canada and Asian partners.¹⁵

Canada signed its first **tax treaty** in Asia in 1976 and today has extensive coverage with eighteen treaties across Asia. Bilateral tax treaties protect against double taxation on FDI and are an important consideration for international business transactions.

Canada's coverage of **Foreign Investment Protection Agreements (FIPAs)** in Asia is less comprehensive. Our first FIPA with an Asian country was signed in 1996 and we currently have two FIPAs in effect, two recently concluded with China and India, and four under negotiation. FIPAs protect and promote Canadian foreign investments through legally-binding rights and obligations. They are especially important in Asia where some foreign investors have concerns of weak regulatory systems and risks of expropriation. Given the tight complementary relationship between vertical trade and FDI, barriers to investment between countries can have the same effect as bilateral trade restrictions.

On the **FTA** front, Canada has two ongoing negotiations, two agreements at an exploratory stage and two stalled negotiations. Canada's challenges in FTA negotiations fall into three categories: difficulties in building well-resourced and effective negotiating teams required to pursue the extensive trade agenda proposed successfully, in a timely manner; difficulties in leveraging our limited bargaining power into agreements on par with the access gained by Australia, the European Union and the United States; and difficulties in harnessing the support of civil society, the private sector and provinces.¹⁶

The oldest negotiations are with Singapore (since 2001) and there is hope that Canada will conclude talks with South Korea (since 2004). Since 2010, Canada has embarked on processes to negotiate trade agreements with India, Japan, China and Thailand and has aggressively sought and secured entry in the negotiations for TPP, though only at the conclusion of the current set of negotiations between the existing nine TPP economies. On August 15, 2012, the *Canada-China Economic Complementarities Study* was released paving the way for bilateral trade negotiations with China.

OPPORTUNITIES AND CHALLENGES MOVING FORWARD

Gaps in Canada's trade and investment protection coverage in Asia are partly responsible for Canada's small economic footprint in Asia; it has made it difficult for Canadian companies to embed themselves in or take advantage of Asian regional supply chains. Higher tariffs make Canada's exports of intermediate goods less competitive. When domestic firms engage in vertical trade, a certain volume of more complete or final goods will return to the home country. Canadian tariffs on select imports from Asia increase the cost of such goods exported to Canada, creating impediments to the expansion of Canadian firms domestically and abroad.

While recent efforts have been made to rectify the situation, we believe that a more aggressive and ambitious plan for a network of trade, investment and tax agreements is needed. Canada has a lot to do to catch-up with our main competitors and in particular, the growing number of FTAs concluded between Asian countries and developed economies creates a "clear and present" danger to Canadian interests. An

¹⁵ See Appendix for a list of Canada's economic linkages with Asia.

¹⁶ The last point on public opinion was captured in a recent survey that showed that while a majority of Canadians (63%) support entering into a FTA with Japan, they remain divided with respect to trade agreements with other Asian countries. *Asia Pacific Foundation of Canada – 2012 National Opinion Poll: Canadian Views on Asia*.

overview of the competitive landscape in Asia is presented below.

The case of South Korea is instructive as to why it is essential for Canada to urgently pursue and conclude trade agreements with key Asian markets where Canadian companies compete with their United States, Australian and European Union counterparts. Consider the following:

- South Korea is Canada's sixth-largest export market and an important destination for Canadian pork and beef. Significant progress has been made on most of the elements of a bilateral comprehensive FTA, but a few stumbling blocks have held up its conclusion. The United States faced similar difficulties in their negotiations with South Korea, namely autsparts, but eventually concluded

negotiations and the Korea-United States FTA (KORUS) came into effect on March 15, 2012. It is expected that KORUS will cause trade diversion from Canada's beef and pork industry. Chile saw a 22% increase in pork exports to South Korea in the year following the conclusion of its bilateral FTA with South Korea.

- In 2010, the value of Canadian beef and pork exports to South Korea amounted to C\$99.4 million. The Canadian industry may be world class but must now compete in South Korea against other efficient producers with a 20% to 25% cost disadvantage arising from the import tariffs imposed on Canadian goods.

Canada's economic agenda with Asia needs to focus on our largest trading partners in order to maximize the benefits from trade liberalization and eliminate,

TABLE 3. STATUS OF TRADE AGREEMENTS WITH KEY ASIAN COUNTRIES

AUSTRALIA	UNITED STATES	EUROPEAN UNION	CANADA
<i>FTAs in Force</i>			
ASEAN Singapore Thailand Malaysia (to be ratified)	South Korea Singapore Australia	South Korea	None
<i>Under Negotiation**</i>			
China India Japan South Korea Indonesia TPP PACER Plus*	TPP	India Singapore Malaysia ASEAN	South Korea Singapore Japan India

*Pacific Agreement on Closer Economic Relations

**Excludes agreements in an exploratory or pre-negotiation stage

Source: Foreign Affairs and International Trade Canada; European Commission, USTR, DFAT Australia

in as much as possible, the impact of preferential treatment given to our main competitors by these same countries.

Several econometric studies have been done to determine the impact of various regional trade configurations on the income and exports of member and non-member countries. The most recent study examines both the impact of TPP and FTAAP at the 2025 horizon.¹⁷ FTAAP is by far the best solution for Asia Pacific countries. A free trade area encompassing ASEAN plus China, Japan and South Korea would result in exports increasing by 18% for Japan, 23% for South Korea and 12% overall for the participating economies. In the case of the FTAAP, Canadian exports would increase by 5% relative to the status quo. For TPP, the increase could be in the order of 2%, a result dependent, for all material purposes, on the hypothesis that Japan and South Korea would join the TPP in 2014.

The quantitative analysis highlights the major driver of the benefits associated with Asia Pacific trade agreements: It is the unimpeded access to the United States market. Canada is confronted with the mirror image. To the extent this access is already guaranteed through the NAFTA agreement, the added benefits to Canada of participating in an Asian regional agreement absent Northeast Asian countries diminish considerably. In brief, these econometric studies demonstrate that most of the benefits accruing to Canada from trade liberalization with Asian countries will stem from agreements with our major commercial partners, China, Japan, ASEAN, South Korea and India, or regional agreements that include them.

As we embark on a major program of trade negotiations with Asian economies, Canada would do well to set its sights at the right altitude. As a rule, FTAs between

emerging Asian economies tend to be limited, goods-centered agreements, since their main objective is to arrest a decline in bilateral/regional trade and, hopefully, spur stronger trade interdependence between members. Their comparative advantages are in manufacturing and their focus is on market access for goods.

In contrast, FTAs involving advanced economies are significantly more comprehensive agreements since their main purpose is to manage the complex issues associated with extensive supply chains and production networks within established integrated economies, secure better access for services and investments and enhance protection for intellectual property. They also emphasize rules-based approaches, which is the hallmark of well-developed institutional settings.

Achieving some kind of symmetry in the benefits accruing from an FTA between large emerging and advanced economies is a major challenge that will require finesse, patience and stamina. The foregoing means that the trade objectives Canada is seeking to achieve with India versus Japan, for instance, need to be appropriately defined. Moreover, in certain cases, a phased program of successive agreements may be a more reasonable way to achieve results.

To position Canada favorably in the emerging Asia Pacific trade architecture, we recommend a two-track approach at both the regional and bilateral levels:

At the bilateral level, Canada should focus its trade efforts on first, the major markets we are engaged in, and second, where Canadian producers and manufacturers are in direct competition with United States, European Union and Australian competitors. We urge the government to:

¹⁷ Peter A. Petri and Michael G. Plummer. "The Trans-Pacific Partnership and Asia-Pacific Integration : Policy Implications". Peterson Institute for International Economics. June 2012. See also, Robert Scollay. "Preliminary Assessment of the Proposal for a Free Trade Area of the Asia-Pacific (FTAAP)", An Issues Paper for the APEC Business Advisory Council (ABAC)". PECC Trade Forum 2005.

1. Conclude as a matter of urgency FTA negotiations with South Korea

Canada's trade negotiations with South Korea are largely complete but stalled. Currently, the costs of trade diversion to the Canadian economy are beginning to bite. Canada should conclude the negotiations as a matter of first priority.

2. Pursue as a matter of first priority comprehensive economic partnership negotiations with Japan

Given the importance of Japan as a trading partner, the negotiations underway should be accelerated and completed as soon as possible.

3. Based on the complementarities study recently completed, move towards a trade agreement with China

China is our largest trading partner in Asia and an early mover advantage for Canada is significant. So far, New Zealand is the only developed economy to have concluded a comprehensive FTA with China. A Canada-China FTA will both enhance Canadian competitiveness in China and improve the ability of our companies to integrate the Canadian components of their supply chains into their offerings in China. Undertaking negotiations to formalize a Canadian FTA with China will no doubt run not only against serious trade and investment issues, but also vocal opposition in many Canadian quarters including concerns about human rights and democracy. It will be important to engage not only government but also business and civil society in such a debate.

4. Conclude trade negotiations with India

Canada's negotiations with India are expected to conclude by 2013 but have in recent months faced a number of delays. Recognizing the importance of the Indian market for Canada and the scope of

India's other FTAs with regional partners, Canada should set its expectations at the right level so as to conclude negotiations in a timely manner.

5. Consider a trade pact with Taiwan

Taiwan is Canada's fifth-largest market in Asia. In the past, FTAs with Taiwan were not politically feasible. However, several countries including Australia and Japan are currently examining FTAs with Taiwan. Canada should consider a trade pact with Taiwan for two reasons. First, Taiwan is integrated into regional production networks, especially in China, and in this respect could be a good partner for Canada. Second, Taiwan is likely to be excluded from the current regional trade and economic proposals; a bilateral approach is the only option for deeper economic engagement.

6. Pursue double taxation and foreign investment protection agreements with as many countries as possible

At a regional level, it is important that Canada not be excluded from emerging regional trade blocs. We therefore urge the government to:

1. Participate fully in the TPP negotiations at the earliest opportunity

The TPP is important for Canada in what it could become. In its current membership, the biggest market is the United States, with which Canada already signed a trade agreement. For Canada, significant gains from the TPP will be reaped if other major economies, such as Japan, are included in the process.

2. Explore the option of a trade agreement with ASEAN

ASEAN is Canada's third-largest export market in Asia and from an Asian perspective, the fact remains that there are only four of ASEAN's ten

members—Brunei, Malaysia, Singapore and Vietnam—in the TPP process. Canada's export to these four countries only account for 37% of our exports to ASEAN. In addition to its economic merits, Canada should also explore an FTA with ASEAN as an expression of interest in strengthening Canada-ASEAN relations.



THE ROAD AHEAD: INVESTING FOR PROSPERITY

THE RISE OF ASIA has significant long-term and multi-generational implications for Canada. Getting our strategy and response right will take several years and leadership by several successive governments. To succeed, we must act now to move towards a strategic, coordinated and multi-dimensional approach to Asia.

There is a skepticism that meets any suggestion that a significant amount of additional public resources must be committed in support of a deep, purposeful and multi-faceted engagement with Asia. The diffuse and long-term nature of the benefits from participation and leadership make it an easy target in an era where control of public expenditures is at the forefront. But in a region as economically dynamic and strategically as fragile as Asia, Australia's example underscores the commercial rewards and responsible contribution that energetic and imaginative engagement can generate.

Canadian business is regularly admonished for failing to invest the time and resources to build the personal relationships and partnerships with local entrepreneurs, families and business and government leaders that are key to success in Asia. Canadian businesses that have established a meaningful presence in these markets have made significant and sustained personal and financial investments. There is no substitute for gaining a reasonable understanding of Asian norms and conventions and the same exigencies apply to Canadian government authorities.

In addition to the means, institutions and mechanisms identified in this report, a comprehensive strategy also will need to include:

- Improved physical infrastructure to facilitate two-way trade with Asia, including the expansion of transportation and frameworks, such as bilateral air treaties, designed to support a major increase in Canadian trade with Asia.
- A growing knowledge base and research capacity on Asia, possibly through an expansion of the centers of research and excellence program that focus on Asia and priority issues in our institutional involvement both in Asia and at the global level. This should be accompanied by an expansion in links and collaboration between Canadian and Asian universities.
- Efforts to increase Asian literacy including language training and opportunities to travel to Asia for professional, academic and cultural exchange.
- Initiatives to increase people-to-people connections through tourism, international student and other programs.
- An engagement of the private sector and civil society in support of bilateral and regional initiatives in Asia.
- A coherent and predictable Canadian investment policy that addresses the principles for approval of foreign direct investment into Canada and Canadian interests in direct investment in Asia.
- A review of overseas development and aid mechanisms with consideration of how these can be deployed to support Canada's regional and bilateral objectives in Asia and assist in the development of social infrastructure congruent with Canada's values with respect to human rights and the rule of law.

We are concerned that Canadians generally feel that they are not part of the Asia Pacific region. In 2008, 30% of Canadians agreed with the statement that "Canada is part of the Asia Pacific." In 2011 this number fell to 26% but has since rebounded slightly. Canada has significant historical, cultural and people-to-people ties with Asian countries and it is important that we recognize these linkages as assets, as part of our history and identity, and as credentials that

Canadian companies, organizations and officials can use in bilateral and regional relations with Asia.

The inescapable reality is that Canada now confronts a messy multi-centric world, and our efforts to protect our values and prosperity depend on a comprehensive global engagement. Asia has become, along with North America and Europe, a major theatre of critical importance to Canada and we must devote the attention, strategic thinking and resources it deserves. The United States will continue to be our largest economic relationship and essential ally and Europe will remain a significant partner, but in the context of a shifting balance of economic and strategic power across the Pacific, we need an approach and strategy that positions Canada in a new way.





Glossary

The Members of the G20 in numbers (2011)

Economic Mechanisms Linking Canada to Asia

Composition of Canadian Exports to Major Markets (2010)

Top 10 Canadian Competitive Industries Per Country

Source and Destination of East Asia's Durable Goods (2007)

Merchandise Export Performance of Australia and Canada in Key Asian markets

Recent Reports

Taskforce Members

GLOSSARY

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ABAC	APEC Business Advisory Council
ACFTA	China-ASEAN Free Trade Agreement
ADB	Asian Development Bank
ADMM (++)	ASEAN Defence Ministers Meeting (<i>ADMM + 8 includes ASEAN members, plus representatives from Australia, China, India, Japan, New Zealand, Russia, South Korea and USA</i>)
AFTA	ASEAN Free Trade Agreement
APEC	Asia Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEAN +1	Denotes engagement between ASEAN member states and a non-member state (e.g., China, India, Japan)
ASEAN +3	ASEAN forum including ASEAN members, plus China, Japan and South Korea
CEPEA	Comprehensive Economic Partnership in East Asia
CIDA	Canadian International Development Agency
CSCAP	Council for Security Cooperation in the Asia Pacific
DFAT	Department of Foreign Affairs and Trade (Australia)
DFAIT	Department of Foreign Affairs and International Trade (Canada)
EAFTA	East Asia Free Trade Agreement
EAS	East Asia Summit
EU	European Union
FDI	Foreign Direct Investment
FIPA	Foreign Investment Protection Agreement
FTA	Free Trade Agreement
FTAAP	Free Trade Agreement of the Asia Pacific
G8	Group of 8
G20	Group of 20
GDP	Gross Domestic Product
HS	Harmonized System Code
IDRC	International Development Research Centre
IMF	International Monetary Fund
KORUS	Korea-United States Free Trade Agreement
NAFTA	North American Free Trade Agreement
NAICS	North America Industry Classification System
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
OREI	Office of Regional Economic Integration
P4	Original signatories (2006) of Trans-Pacific Strategic Economic Partnership (precursor to TPP)
PACER	Pacific Agreement on Closer Economic Relations
PECC	Pacific Economic Cooperation Council
RCEP	Regional Comprehensive Economic Partnership
RIMPAC	Rim of the Pacific Exercise
SCO	Shanghai Cooperation Organization
TAC	Treaty of Amity and Cooperation
TIFA	Trade and Investment Framework Agreement
TPP	Trans-Pacific Partnership
UNCLOS	United Nations Convention on the Law of the Sea
WPNS	Western Pacific Naval Symposium
WTO	World Trade Organization

TABLE 4. THE MEMBERS OF THE G20 IN NUMBERS (2011)

Member/Country	GDP (nominal) mil. USD (2011)	GDP (PPP) mil. USD (2011)	GDP per capita (PPP) USD (2011)	Population mil. (2011)
Argentina	447,644	710,690	17,376	40.900
Australia	1,488,221	918,978	40,836	22.729
Brazil	2,492,908	2,309,138	11,845	194.933
Canada	1,736,869	1,391,114	40,457	34.437
China	7,298,147	11,316,224	8,394	1,348.121
European Union	17,557,691	15,788,000	31,548	502.487
France	2,776,324	2,216,769	35,048	63.087
Germany	3,577,031	3,089,471	37,935	81.777
India	1,676,143	4,469,763	3,703	1,206.917
Indonesia	845,680	1,122,638	4,668	241.030
Italy	2,198,730	1,828,601	30,165	60.626
Japan	5,869,471	4,395,600	34,362	127.819
Mexico	1,154,784	1,659,016	15,121	113.735
Russia	1,850,401	2,376,470	16,687	142.411
Saudi Arabia	577,595	677,663	24,056	28.169
South Africa	408,074	555,340	10,977	50.591
South Korea	1,116,247	1,556,102	31,753	49.006
Turkey	778,089	1,114,629	15,321	73.950
United Kingdom	2,417,570	2,253,585	35,974	62.644
United States	15,094,025	15,094,025	48,386	311.946

Source: International Monetary Fund, World Economic Outlook Database, April 2012. European Union, Eurostats, April 2012.

TABLE 5. ECONOMIC MECHANISMS LINKING CANADA TO ASIA

<i>Canada's Tax Treaties with Asian Countries</i>		
Country	Status	Date
Australia	Under re-negotiation	21 May 1980
Bangladesh	In force	15 February 1982
China	Under re-negotiation	12 May 1986
Hong Kong	Under negotiation	—
India	In force	11 January 1996
Indonesia	In force	16 January 1979
Japan	In force	7 May 1986
Korea, South	In force	10 February 1978
Malaysia	Under re-negotiation	15 October 1976
Mongolia	In force	27 May 2002
New Zealand	Under amendment	13 May 1980
Pakistan	In force	24 February 1976
Papua New Guinea	In force	16 October 1987
Philippines	In force	11 March 1976
Singapore	Under amendment	6 March 1976
Sri Lanka	In force	23 June 1982
Thailand	In force	11 April 1984
Vietnam	In force	14 November 1997
<i>Canada's Bilateral Foreign Investment Protection Agreements with Asian countries</i>		
Country	Status	Date
China	Negotiations Concluded	Feb 2012
India	Negotiations Concluded	Sept 2011
Indonesia	Negotiations Ongoing	—
Mongolia	Negotiations Ongoing	—
Pakistan	Negotiations Ongoing	—
Philippines	Brought into force	13 Nov 1996
Thailand	Brought into force	24 Sept 1998
Vietnam	Negotiations Ongoing	—
<i>Canada's Free Trade Agreements with Asian Countries</i>		
Country	Status	Start Date
China	Exploratory stage	2012
India	Negotiations Ongoing	2010
Japan	Negotiations Ongoing	2012
Singapore	Negotiations Stalled	2002
South Korea	Negotiations Ongoing	2004
Thailand	Exploratory stage	2012

Source: Foreign Affairs and International Trade Canada, Finance Canada

TABLE 6. COMPOSITION OF CANADIAN EXPORTS TO MAJOR MARKETS (2010)

	Manufacturing	Mining	Oil & Gas	Agricultural & Agrifood	Forestry
United States	200.7	9.0	65.7	20.1	17.8
European Union	18.5	13.6	—	2.6	1.4
China	8.0	2.7	0.3	2.8	3.0
Japan	4.5	2.8	—	3.2	1.4
ASEAN	2.7	1.0	0	0.8	0.5
South Korea	1.9	1.4	0	0.5	0.5
India	1.0	0.5	0	0.4	0.4
Asia sub-total	18.1	8.4	0.3	7.7	5.8
Total (All Countries)	260.0	34.0	68.0	39.1	27.0

Note: Value of exports in C\$ billion; Manufacturing, Mining and Oil & Gas figures calculated with NAICS codes; other statistics calculated with HS codes. Source: Trade Data Online, Industry Canada, July 2012.

TABLE 7. TOP 10 CANADIAN COMPETITIVE INDUSTRIES PER COUNTRY

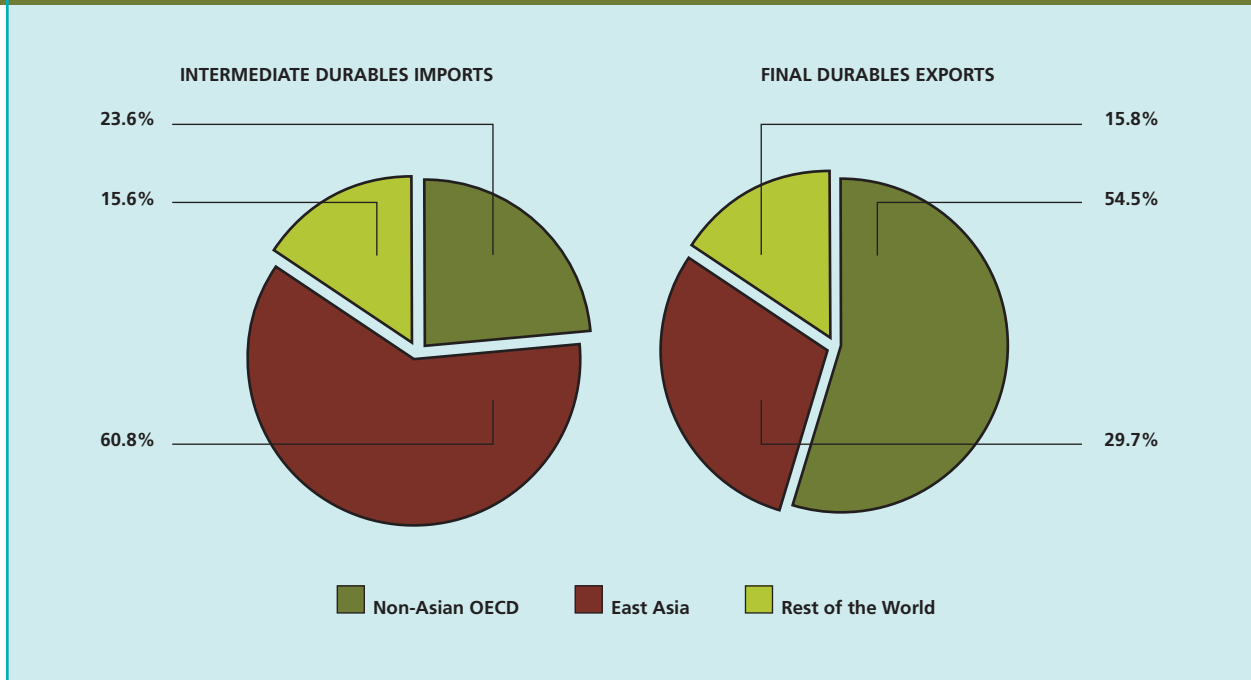
Rank	US	China	India	Japan	South Korea
1	Mineral fuels	Pulp	Vegetables	Oil seeds	Pulp
2	Vehicles	Ores, slag and ash	Fertilizer	Meat	Fertilizer
3	Paper	Animal, Vegetable Oils	Pulp	Wood	Aluminum
4	Aluminum	Oil seeds	Iron and steel	Pulp	Wood
5	Plastics	Wood	Salt, Sulphur, Stone, Cement	Cereals	Cereals
6	Wood	Nickel	Optical apparatus	Fertilizer	Ores, slag and ash
7	Fertilizer	Mineral fuels	Pearls, Precious stones	Aircraft	Nickel
8	Commodities*	Organic chemicals	Textiles/Apparel	Ores, slag and ash	Meat
9	Pulp	Copper	Aircraft	Fish	Oils
10	Iron and steel	Machinery/nuclear	Nickel	Milling products	Furs

Note: Manufacturing industries are shown in bold type; data for India are for 2009

*Not elsewhere specified

Source: Dobson, Wendy, "Canada, China, and Rising Asia: A Strategic Proposal", Rotman School of Management – University of Toronto

FIGURE 1. SOURCE AND DESTINATION OF EAST ASIA'S DURABLE GOODS TRADE (2007)



Source: Ma, Alyson; Van Assche, Ari; "Is East Asia's Economic Fate Chained to the West?" CIRANO, May 2012

TABLE 8. MERCHANDISE EXPORT PERFORMANCE OF AUSTRALIA AND CANADA IN KEY ASIAN MARKETS

2000 vs. 2010, % change				
	<i>Australia</i>		<i>Canada</i>	
	Increase value of exports (\$)	Increase (%)	Increase value of exports (\$)	Increase (%)
China	61.5	1152	9.2	248
Japan	30.0	164	(0.2)	-2
ASEAN	13.0	105	2.0	85
South Korea	16.1	224	1.3	56
India	14.6	898	1.4	259
Total % increase		301		75

Note: Values in C\$ billion

Sources: Trade Data Online, Industry Canada; Australia, Composition of Trade, FY2001 and FY 2011.

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TASK FORCE MEMBERS

Donald Campbell is Senior Strategy Advisor to the Canadian law firm Davis LLP, Co-Chair of the Pacific Economic Cooperation Council (PECC) and a Distinguished Fellow of the Asia Pacific Foundation of Canada. He has held senior positions in both the public and private sectors. He was Executive Vice-President of CAE Inc. (2000-2007). His public service career culminated in his appointment as Canada's Deputy Minister for Foreign Affairs and the Prime Minister's personal representative for G8 Summits (1997-2000). Prior to that, he was Canada's Ambassador to Japan (1993-1997); Deputy Minister for International Trade (1989-1993); Assistant Deputy Minister (United States) (1985-1989); and Canada's Ambassador to South Korea (1984-1985). Earlier diplomatic postings included Kenya, the United Kingdom, Jamaica and the United States.

Mr. Campbell currently serves on the board of directors of Toyota Canada Inc. and Canfor Pulp Products Inc. He has served on several public and private corporate boards and not-for-profit institutions.

He chaired for Canada the Canada-Japan Forum which provided a major report to the Prime Ministers of Canada and Japan in 2006.

Mr. Campbell was awarded the Outstanding Achievement Award for the Public Service in 2000.

Paul Evans is professor of Asian international relations at the University of British Columbia. He recently completed a term as the director of the Institute of Asian Research at UBC and between 2005 and 2008 served as the Co-CEO and Chairman of the Executive Committee of the Asia Pacific Foundation of Canada. He was the founding co-chair of the Canadian Member Committee of the Council for Security Cooperation in Asia Pacific and the founding director of the Canadian Consortium on Human Security. His first book was a biography of John Fairbank and his most recent a lexicon of Asia Pacific security terminology. He is currently on administrative leave to complete a manuscript on "Canada and Global China: Beyond Engagement" and take up a visiting appointment at the University of Hong Kong.

Pierre Lortie is a Senior Business Advisor at Fraser Milner Casgrain LLP, a major Canadian law firm. He also serves as Director of Element Financial Corporation, Group Canam Inc., Tembec Inc. and Biocean Canada Inc., President of the Canadian Ditchley Foundation, Governor of The Ditchley Foundation (U.K.), member of the Advisory Board on Small- and Medium-Size Enterprises of the Autorité des marchés financiers du Québec, President elect of the Canadian Academy of Engineering, Chairman of Schmeelk Canada Foundation and as Director of the Research Institute of the McGill University Health Center, of the Montreal Cancer Institute and of the Classica Festival.

Mr. Lortie has held senior executive positions at Bombardier (1990-2003); Chairman, President and CEO of Proviso Inc. (1985 – 1989); President and CEO of the Montréal Stock Exchange (1981-1985) and a Senior Partner of Secor Inc. (1977 – 1981). He served as Chairman of Canada's Royal Commission on Electoral Reform and Party Financing (1989 – 1992) as representative of the Prime Minister of Canada on the APEC Business Advisory Council (ABAC) (1999 – 2003); as Vice Chairman of Canada's National Advisory Board on Science and Technology (1987-1990) and Chairman of the Montréal Demerger Transition Committee from its inception on June 21, 2004 until the end of its mandate on December 31, 2005. He also served as the Representative of the public authorities with regard to the McGill University Health Center (MUHC), the Centre hospitalier universitaire de l'Université de Montréal (CHUM) and the Centre hospitalier universitaire de Québec (CHUQ) modernization projects (2006-2009). He was appointed member of the Order of Canada in 2001.

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220 - 890 West Pender Street,
Vancouver, BC V6C 1J9

Tel: 604.684.5986 Fax: 604.681.1370

Email: info@asiapacific.ca

Internet: www.asiapacific.ca